

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Re: PA PUC, et al. vs. Trans-Allegheny Interstate Line Company

Public Meeting: November 13, 2008
1204960-OSA-0016
Docket A-110172, et al., G-00071229

STATEMENT OF CHAIRMAN CAWLEY

Before this Commission are five separate Applications of Trans-Allegheny Interstate Line Company (TrAILCo, or “Company”), including (1) an Application for a Certificate of Public Convenience to offer, render, furnish and/or supply transmission service in the Commonwealth of Pennsylvania; (2) an Application for authorization to locate, construct, operate and maintain certain high-voltage electric substation facilities; (3) an Application for authority to exercise the power of eminent domain along the proposed transmission line routes in Pennsylvania; (4) an Application for approval of an exemption from municipal zoning regulation with respect to the construction of buildings; and (5) an Application for approval of certain related affiliated interest agreements. Evidentiary hearings were held on March 24-28, 2008, and on March 31, April 1 and April 3, 2008. On August 21, 2008, the Administrative Law Judges issued a Recommend Decision (R.D.) denying the Applications. TrAILCo filed Exceptions to the R.D. on September 10, 2008.

In approving the 502 Junction Facilities, it is important to note the seriousness this Commission attaches to regional reliability. We approved this project despite Federal Energy Regulatory Commission (“FERC”) policies that currently discourage regional cooperation. FERC policies make all PJM customers pay equally for major backbone transmission projects, independent of who actually benefits. More sound policies would rationally allocate most costs to beneficiaries, while allocating a smaller portion to all customers given the long term uncertainty and overall grid-wide reliability benefits of a well interconnected grid. Unfortunately, FERC chose the easy solution – to simply allocate all costs equally to all customers. While this solution is “easy,” it isn’t just or reasonable, and it provides disincentives for regional cooperation on transmission expansion.

In *Allegheny Energy, Inc. et al.*, 116 FERC ¶ 61,058 (2006), Exelon Corporation (“Exelon”) argues that, before any cost recovery mechanism goes into effect, either FERC or PJM should perform a comprehensive cost-benefit analysis of the proposed project with the involvement of stakeholders, including state commissions. Exelon states that the analysis should include an economic analysis of benefits that incorporates key sensitivities. Exelon asserts that such analysis should form the economic basis for determining what zones will benefit from the proposed project and thus who would be responsible for paying for it.

Exelon is correct. We should openly acknowledge that these large transmission projects are built not only for reliability benefits, but also to resolve regional congestion constraints. We should provide appropriate evidentiary support regarding benefits and costs, and seek to assign an appropriate share of costs to beneficiaries. In this manner, the public utility commissions in PJM can properly assess the most cost effective backbone transmission projects among various alternatives going forward, and allocate costs fairly.

It is my hope that FERC and PJM will jointly reexamine these practices and produce a more equitable result. The FERC ruling regarding allocation of costs for above 500kV regional transmission lines is currently on appeal.* I remain optimistic that rational cost allocation will yet prevail, providing a firmer ground in the future for regional cooperation, for our generosity is not unbounded.

November 13, 2008

Date

James H. Cawley, Chairman

* *PJM Interconnection, L.L.C.* (“Opinion No. 494”), 119 FERC ¶ 61,063 (2007), *Order on Rehearing and Compliance Filing*, 122 FERC ¶ 61,082,(2008), *Order on Rehearing and Compliance Filing*, (“Opinion No. 494-A”) 122 FERC ¶ 61,217 (2008), pending appeal *sub nom. Illinois Commerce Commission v. FERC*, Case Nos. Nos. 08-1306, 08-1780, 08-2071 08-2124, 08-2239 (D.C. Cir.).