

June 15, 2020

**VIA FILING**

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
Commonwealth Keystone Bldg.  
400 North Street  
Harrisburg, PA 17120

**Re: Application of Transource Pennsylvania, LLC Filed Pursuant to 52 Pa. Code Chapter 57 Subchapter G, for Approval of the Siting and Construction of the 230kV Project in Portions of Franklin County, Pennsylvania  
Docket No. A-2017-2640200**

**Petition of Transource Pennsylvania, LLC for a finding that a building to shelter control equipment at the Rice Substation in Franklin County, Pennsylvania is reasonably necessary for the convenience or welfare of the public  
Docket No. P-2018-3001878**

**Petition of Transource Pennsylvania, LLC for a finding that a building to shelter control equipment at the Furnace Run Substation in York County, Pennsylvania is reasonable and necessary for the convenience or welfare of the public  
Docket No. P-2018-3001883**

**Application of Transource Pennsylvania, LLC filed Pursuant to 52 Pa. Code Chapter 57, Subchapter G, for Approval of the Siting and Construction of the 230kV Transmission Line Associated with the Independence Energy Connection-East Project in Portions of York County, Pennsylvania  
Docket No. A-2017-2640195**

**Application of Transource Pennsylvania, LLC for approval to acquire a certain portion of lands of various landowners in York and Franklin Counties, Pennsylvania for the siting and construction of the 230 Kv Transmission Line associated with the Independence Energy Connection – East and West Projects as necessary or proper for the service, accommodation, convenience or safety of the public  
Docket No. A-2018-3001881, et al.**

Dear Secretary Chiavetta:

Enclosed for filing on behalf of Stop Transource Franklin County, please find Motion of Intervenor, Stop Transource Franklin County for Leave to Present Testimony of the Independent Market Monitor, Joseph Bowring pursuant to the existing procedural schedule. Copies will be served as indicated on the Certificate of Service.

Thank you for your help in this matter.

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
June 15, 2020  
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Sincerely,

A handwritten signature in black ink, appearing to read 'Joanna A. Waldron', with a long horizontal flourish extending to the right.

Joanna A. Waldron, Esq.  
CURTIN & HEEFNER LLP  
*Counsel for Stop Transource Franklin County*

JAW:alr  
Enclosure  
cc: The Honorable Elizabeth Barnes  
Certificate of Service

**BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Transource Pennsylvania, LLC :  
Filed Pursuant to 52 Pa. Code Chapter 57, : Docket No. A-2017-2640195  
Subchapter G, for Approval of the Siting and : Docket No. A-2017-2640200  
Construction of the 230 kV Transmission Line :  
Associated with the Independence Energy :  
Connection-East and West Projects in Portions of :  
York and Franklin Counties, Pennsylvania :

Petition of Transource Pennsylvania, LLC :  
for a finding that a building to shelter control : P-2018-3001878  
equipment at the Rice Substation in Franklin :  
County, Pennsylvania is reasonably necessary for :  
the convenience or welfare of the public. :

Petition of Transource Pennsylvania, LLC :  
for a finding that a building to shelter control : P-2018-3001883  
equipment at the Furnace Run Substation in York :  
County, Pennsylvania is reasonably necessary for :  
the convenience or welfare of the public. :

Application of Transource Pennsylvania, LLC :  
for approval to acquire a certain portion of the lands : A-2018-3001881,  
of various landowners in York and Franklin : *et al.*  
Counties, Pennsylvania for the siting and :  
Construction of the 230 kV Transmission Line :  
associated with the Independence Energy :  
Connection – East and West Projects as necessary :  
or proper for the service, accommodation, :  
convenience or safety of the public. :

**MOTION OF INTERVENOR, STOP TRANSOURCE FRANKLIN COUNTY FOR  
LEAVE TO PRESENT TESTIMONY OF THE INDEPENDENT MARKET MONITOR,  
JOSEPH BOWRING**

Intervenor, Stop Transource Franklin County (“STFC”), by and through its attorneys, respectfully requests leave to serve written testimony of the Independent Market Monitor for PJM, Joseph Bowring, and make Mr. Bowring available for testimony and cross examination at

the upcoming evidentiary hearings, pursuant to the May 29, 2020 Sixteenth Prehearing Order. Good cause for modification exists because Transource Pennsylvania, LLC (“Transource”) and PPL Electric Utilities Corporation (“PPL”) filed the Joint Amended Application in January 2020, which contained new supporting information, including cost benefit analyses from PJM. In May 2020, the Independent Market Monitor to PJM issued the latest State of the Market Report for PJM, which specifically and expansively addressed the Independence Energy Connection Project. The Independent Market Monitor Mr. Bowring’s testimony is relevant and should assist Your Honor and the Public Utility Commission (“Commission”) in making a recommendation and determinations on the Joint Amended Application and original applications. In support of this motion, STFC states as follows:

**I. BACKGROUND**

On January 29, 2020, Transource and PPL Electric Utilities Corporation (“PPL”) filed an Amended Application with the Commission in the existing dockets for the Siting Applications for Approval of the 230 kV Transmission Line Associated with the Independence Energy Connection (“IEC”) West Project in Portions of Franklin County, and East Project in Portions of York County, originally filed December 27, 2018, pursuant to 52 Pa. Code Chapter 57, Subchapter G. Transource and PPL propose a reconfiguration of the eastern portion of what was originally the proposed IEC Project. In support of that reconfiguration, Transource and PPL submitted statements from additional witnesses, Steven R. Herling, former PJM Vice President of Planning and current Executive Consultant at PJM, and Timothy J. Horger, PJM’s Director of Energy Market Operations, as supporting testimony and accompanying exhibits.

A prehearing conference was held on May 20, 2020, and hearing dates were set for July 9 and 10, 2020 for evidentiary hearings on the Amended Application, proposed settlement

agreements and the remaining reliability issues that were previously excluded from the February 2019 evidentiary hearings.

Prior to Transource and PPL filing of the Joint Amended Application, evidentiary hearings were held on February 21-22, and 25-27, 2019 on the original applications. On March 20, 2019, after the initial evidentiary hearings occurred, however, the Commission granted and answered Transource's Petition for Interlocutory Review, returning the matter for further proceedings consistent with the Commission's Order. Further evidentiary hearings were then scheduled for June 27-28, 2019. On June 21, 2019, an Order granting Transource's Motion to Suspend the Procedural Schedule was issued, and which rescheduled the further evidentiary hearings regarding reliability for August 7 and 8, 2019. Prior to the intended hearing dates, the hearings were suspended for settlement discussions. On October 17, 2019, Transource filed the settlement agreements with the Commission, representing settlements with York County Planning Commission, Citizens to Stop (York) and PPL.

Transource and PPL filed the Joint Amended Application, and a Prehearing Conference was scheduled for March 19, 2020. On or about April 16, 2020, the Fifteenth Prehearing Order granted Intervenor status to Franklin County. The rescheduled Prehearing Conference took place on May 20, 2020.

On May 29, 2020, the Sixteenth Prehearing Order was issued. A true and correct copy of that Order is attached hereto as **Exhibit A**. Pursuant to that Order, written testimony of Franklin County is to be filed on June 22, 2020.

In its March 12, 2020 Prehearing Memorandum, STFC identified additional witnesses may be necessary. On May 14, 2020, the Independent Market Monitor for PJM published its First Quarterly Report for 2020 on the PJM State of the Market. A true and correct copy of an

excerpt of the First Quarterly Report, Transmission Section, as located at the Independent Market Monitor website<sup>1</sup>, is attached hereto, as **Exhibit B**.

## **II. LEGAL STANDARD**

The Sixteenth Prehearing Order states that it may be modified upon good cause shown. Further, any extensions of time are governed under 52 Pa. Code § 1.15, which provides that Commission may extend that time period “for good cause be extended upon motion made before the expiration of the period originally prescribed or previously extended...” 52 Pa. Code § 1.15. Relevant and material evidence is admissible, and additional evidence may be presented by the parties before or during a hearing, and, as necessary, at the request of the Commission or presiding officer, after the hearing. 52 Pa. Code §§ 5.401; 5.404.

Administrative proceedings require that all parties be afforded an opportunity to be heard on the issues, to be apprised of the evidence submitted, to cross-examine witnesses, to inspect documents, and to offer evidence in explanation or rebuttal. *In re: Shenandoah Suburban Bus Lines, Inc. v.* , 46 A.2d 26 (Pa. Super. 1946).

## **III. LEGAL ARGUMENT**

The Joint Amended Application introduced and is supported by newly-generated materials from PJM, not in existence at the time of the prior evidentiary hearings last year. On May 14, 2020 the Independent Market Monitor for PJM published its First Quarterly Report for 2020 on the PJM State of the Market, which contained newly expanded analysis and recommendations specifically addressing Transource’s IEC Project. The Commission should have the benefit of the relevant and timely information and explanation from Independent Market Monitor to PJM, Mr. Bowring. As evidenced from the testimony and documents related

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<sup>1</sup> A full copy of the First Quarter Report of 2020 can be downloaded from the website: [https://www.monitoringanalytics.com/reports/PJM\\_State\\_of\\_the\\_Market/2020.shtml](https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2020.shtml)

to PJM's evaluations and reevaluations, and the applicant's reliance on such materials, it is clear that current information is paramount. Throughout the proceedings, including in the Fourth Prehearing Order dated July 30, 2018, Your Honor expressed an interest in updated analyses, including "an update to the cost/benefit ratio for IEC Project" and instructed Transource to provide "an updated cost study." if PJM subcommittees update cost/benefit ratios. The Joint Amended Application provides another new analysis from 2019, and the proposed Independent Market Monitor testimony from 2020 is relevant to that analysis. Due process and fundamental fairness require that the Intervenors be afforded the opportunity to present new, relevant evidence addressing the Joint Amended Application at the evidentiary hearings.

Good cause to permit testimony from the Independent Market Monitor exists because the Independent Market Monitor's recommendations and position were only made available to the public days. As STFC indicated in its March Prehearing Memorandum additional witnesses may be identified, and Your Honor and the parties notified accordingly.

The proposed testimony of the Independent Market Monitor is relevant and material to the Joint Amended Application.. Transource has the burden under Commission's existing regulations applicable to transmission line siting to provide an application or amended application that allows the Commission to make a determination as to whether the application meets the regulatory requirements of 52 Pa. Code Section 57.76. The first factor that Transource must demonstrate is to show that there is a need for the line. With the Joint Amended Application, Transource has introduced updated evidence regarding the need. This is consistent with the Commission's mandate to view the *current* and *future projections* on the need for the transmission line, and not solely a snapshot in time. Under Section 57.76(e) of the regulations, the Commission will accept evidence on and in its determination of the application consider": (1) "the present and future necessity of the proposed HV line." 52 Pa. Code 57.76(e)(1).

Accordingly, the most recent opinions and testimony from PJM and the Independent Market Monitor are required for consideration of the Joint Amended Application.

In addition to the unavailability of the information until recently, provision of the testimony will not cause a disruption in the existing procedural schedule. The Sixteenth Prehearing Order sets forth a procedural schedule that contemplates the provision of written testimony from Intervenor Franklin County on or before June 22. STFC respectfully suggests that the proposed testimony from the Independent Market Monitor could follow the existing schedule, and still permit the parties time to respond orally at the evidentiary hearing, and cross examine as necessary.

The relevant testimony could be served on parties before the evidentiary hearings on the Joint Amended Applications and the remaining reliability testimony. Transource and PPL and any other parties, will be afforded notice and an opportunity to be apprised of the evidence submitted, to cross-examine the witness, to inspect documents, and to offer evidence in explanation or rebuttal, which address the relevant due process and fundamental fairness required in these proceedings.

Parties could follow the schedule for testimony set forth in May 29, 2020 Prehearing Order Number Sixteen. Neither Transource nor PPL will suffer undue prejudice from testimony from the Independent Market Monitor.

#### IV. CONCLUSION

For the foregoing reasons, STFC respectfully requests that Administrative Law Judge Elizabeth H. Barnes grant STFC's motion to serve written testimony in this proceeding, and make the Independent Market Monitor Joseph Bowring available at the upcoming evidentiary hearing.

CURTIN & HEEFNER LLP



By: \_\_\_\_\_  
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Dated: June 15, 2020

## CERTIFICATE OF SERVICE

### Consolidated Docket Nos. A-2017-2640200 and A-2017-2640195

I hereby certify that a true and correct copy of the Motion of Intervenor, Stop Transource Franklin County for Leave to Present Testimony of the Independent Market Monitor, Joseph Bowring 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).

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Curtin & Heefner LLP



By: \_\_\_\_\_  
JOANNA A. WALDRON

Date: June 15, 2020

***EXHIBIT "A"***

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Transource Pennsylvania, LLC	:	
for approval of the Siting and Construction of the	:	A-2017-2640195
230 kV Transmission Line Associated with the	:	A-2017-2640200
Independence Energy Connection - East and West Projects	:	
in portions of York and Franklin Counties, Pennsylvania.	:	
	:	
Petition of Transource Pennsylvania, LLC	:	
for a finding that a building to shelter control equipment	:	
at the Rice Substation in Franklin County, Pennsylvania	:	P-2018-3001878
is reasonably necessary for the convenience or welfare of	:	
the public.	:	
	:	
Petition of Transource Pennsylvania, LLC	:	
for a finding that a building to shelter control equipment	:	
at the Furnace Run Substation in York County,	:	P-2018-3001883
Pennsylvania is reasonably necessary for the convenience	:	
or welfare of the public.	:	
	:	
Application of Transource Pennsylvania, LLC	:	
for approval to acquire a certain portion of the lands of	:	
various landowners in York and Franklin Counties,	:	
Pennsylvania for the siting and construction of the 230 Kv	:	A-2018-3001881,
Transmission Line associated with the Independence Energy	:	<i>et al.</i>
Connection – East and West Projects as necessary or proper	:	
for the service, accommodation, convenience or safety of	:	
the public.	:	

**SIXTEENTH PREHEARING ORDER**

**Amending Procedural Schedule**

A further telephonic prehearing conference in this case was held on May 20, 2020. N.T. 2760-2806. This order sets forth the procedural matters addressed at the prehearing conference.

THEREFORE,

IT IS ORDERED:

1. That Intervenors/Protestants are directed to notify counsel for Transource Pennsylvania, LLC ([akanagy@postschell.com](mailto:akanagy@postschell.com) and [lberkstresser@postschell.com](mailto:lberkstresser@postschell.com)) by July 2, 2020 if they intend to cross examine any of Transource PA's witnesses at the hearings July 9-10, 2020.

2. That the hearings will be conducted via Business Skype and instructions for participating will be e-mailed to the parties and contained in a Notice of Further Evidentiary Hearing.

3. That the following procedural schedule is adopted.

Franklin County Board of Commissioner's Direct Testimony	June 22,2020
Skype Hearings/oral rebuttal	July 9 and 10, 2020
Main Briefs	August 11, 2020
Reply Briefs	TBD

4. That the evidentiary hearing will be held via Business Skype and will begin at 10:00 a.m. on July 9, 2020 and July 10, 2020.

5. That the transcript turnaround time for the evidentiary hearing shall be five (5) business days.

6. That the parties are encouraged to discuss settlement negotiations and in the event that an amicable agreement is reached prior to the hearing, the parties are given leave to file a Joint Petition for Approval of Settlement with attached statements in support.

7. That counsel for Transource Pennsylvania, LLC shall coordinate the order of witnesses and estimated time for cross-examination by each party, and will supply a copy of the witness order to the presiding officer at least one (1) day prior to the hearing.

8. That motions or objections with respect to written testimony must be presented in writing and provided to the parties and the presiding officer no later than close of business on Monday, July 6, 2020.

9. That the parties shall conduct discovery, attend hearings, or present or cross-examine witnesses, as appropriate. The parties shall serve the documents listed above electronically to the parties and presiding officer no later than 4:30 p.m. on the dates listed, unless otherwise indicated. Parties shall not file testimony with the Commission, but shall file a certificate of service.

10. That written testimony shall comply with the requirements of 52 Pa.Code § 5.412 and shall be marked with numerical, sequential statement numbers. Parties serving preserved testimony pursuant to 52 Pa.Code § 5.412(f) are required, within thirty (30) days after the final hearing, to either eFile with or provide to the Secretary's Bureau a Compact Disc (CD) containing all testimony furnished to the court reporter during the proceeding, consistent with the Commission's Implementation Order, dated January 10, 2013, at Docket No. M-2012-2331973.

11. That electronic copies of briefs and other pleadings sent to the presiding officer at [ebarnes@pa.gov](mailto:ebarnes@pa.gov) shall be Microsoft word compatible. Presiding officer Andrew Calvelli no longer works at the Office of Administrative Law Judge and his name should be removed from all correspondence.

12. That all exhibits for the hearing must be electronically mailed to the presiding officer at [ebarnes@pa.gov](mailto:ebarnes@pa.gov) and to all parties on the e-mail distribution list by July 2, 2020. The exhibits must be pre-marked.



**A-2017-2640195 & A-2017-2640200 ET AL- APPLICATION OF TRANSOURCE PENNSYLVANIA, LLC. FOR APPROVAL OF THE SITING AND CONSTRUCTION OF THE 230KV TRANSMISSION LINE ASSOCIATED WITH THE INDEPENDENCE ENERGY CONNECTION-EAST & WEST PROJECTS IN PORTIONS OF YORK & FRANKLIN COUNTIES.**

*(Combined Parties List-Revised 2/26/20)*

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***EXHIBIT "B"***

Q1

# State of the Market Report for PJM

Monitoring Analytics, LLC

Independent  
Market Monitor  
for PJM

5.14.2020

2020

## Preface

The PJM Market Monitoring Plan provides:

The Market Monitoring Unit shall prepare and submit contemporaneously to the Commission, the State Commissions, the PJM Board, PJM Management and to the PJM Members Committee, annual state-of-the-market reports on the state of competition within, and the efficiency of, the PJM Markets, and quarterly reports that update selected portions of the annual report and which may focus on certain topics of particular interest to the Market Monitoring Unit. The quarterly reports shall not be as extensive as the annual reports. In its annual, quarterly and other reports, the Market Monitoring Unit may make recommendations regarding any matter within its purview. The annual reports shall, and the quarterly reports may, address, among other things, the extent to which prices in the PJM Markets reflect competitive outcomes, the structural competitiveness of the PJM Markets, the effectiveness of bid mitigation rules, and the effectiveness of the PJM Markets in signaling infrastructure investment. These annual reports shall, and the quarterly reports may include recommendations as to whether changes to the Market Monitoring Unit or the Plan are required.<sup>1</sup>

Accordingly, Monitoring Analytics, LLC, which serves as the Market Monitoring Unit (MMU) for PJM Interconnection, L.L.C. (PJM),<sup>2</sup> and is also known as the Independent Market Monitor for PJM (IMM), submits this *2020 Quarterly State of the Market Report for PJM: January through March*.<sup>3</sup>

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<sup>1</sup> PJM Open Access Transmission Tariff (OATT) Attachment M (PJM Market Monitoring Plan) § VI.A. Capitalized terms used herein and not otherwise defined have the meaning provided in the OATT, PJM Operating Agreement, PJM Reliability Assurance Agreement or other tariffs that PJM has on file with the Federal Energy Regulatory Commission (FERC or Commission).

<sup>2</sup> OATT Attachment M.

<sup>3</sup> All references to this report should refer to the source as Monitoring Analytics, LLC, and should include the complete name of the report: *2020 Quarterly State of the Market Report for PJM: January through March*.

# Generation and Transmission Planning<sup>1</sup>

## Overview

### Generation Interconnection Planning

#### Existing Generation Mix

- As of March 31, 2020, PJM had a total installed capacity of 197,485.1 MW, of which 52,047.6 MW (26.4 percent) are coal fired steam units, 50,168.6 MW (25.4 percent) are combined cycle units and 33,452.6 MW (16.9 percent) are nuclear units. This measure of installed capacity differs from capacity market installed capacity because it includes energy only units, excludes all external units, and uses nameplate values for solar and wind resources.
- Of the 197,485.1 MW of installed capacity, 70,875.3 MW (35.9 percent) are from units older than 40 years, of which 37,066.2 MW (52.3 percent) are coal fired steam units, 532.0 MW (0.8 percent) are combined cycle units and 15,239.9 MW (21.5 percent) are nuclear units.

#### Generation Retirements<sup>2</sup>

- There are 42,249.9 MW of generation that have been, or are planned to be, retired between 2011 and 2024, of which 32,095.2 MW (76.0 percent) are coal fired steam units. Coal unit retirements are primarily a result of the inability of coal units to compete with efficient combined cycle units burning low cost natural gas.
- In the first three months of 2020, 127.7 MW of generation retired. The largest generator that retired in the first three months of 2020 was the 43.0 MW Frackville Wheelabrator 1 coal fired steam unit owned by Macquarie Group and located in the PPL Zone. Of the 127.7 MW of generation that retired, 60.7 MW (47.5 percent) were located in the BGE Zone.
- As of March 31, 2020, there are 5,294.8 MW of generation that have requested retirement after March 31, 2020, of which 1,907.5, MW (36.0

percent) are located in the Dominion Zone. Of the Dominion generation requesting retirement, 1,121.5 MW (58.8 percent) are coal fired steam units.

#### Generation Queue<sup>3</sup>

- There were 126,818.9 MW in generation queues, in the status of active, under construction or suspended, at the end of 2019. In the first three months of 2020, the AF2 queue window closed. The AF2 queue window added 10,887.8 MW to the queue. As projects move through the queue process, projects can be removed from the queue due to incomplete or invalid data, withdrawn by the market participant or placed in service. On March 31, 2020, there were 135,307.2 MW in generation queues, in the status of active, under construction or suspended, an increase of 8,488.3 MW (6.7 percent).
- As of March 31, 2020, 4,960 projects, representing 599,172.0 MW, have entered the queue process since its inception in 1998. Of those, 905 projects, representing 70,268.1 MW, went into service. Of the projects that entered the queue process, 2,778 projects, representing 393,596.6 MW (65.7 percent of the MW) withdrew prior to completion. Such projects may create barriers to entry for projects that would otherwise be completed by taking up queue positions, increasing interconnection costs and creating uncertainty.
- As of March 31, 2020, 135,307.2 MW were in generation request queues in the status of active, under construction or suspended. Based on historical completion rates, 36,305.3 MW of new generation in the queue are expected to go into service.

<sup>1</sup> Totals presented in this section include corrections to historical data and may not match totals presented in previous reports.

<sup>2</sup> See PJM. Planning. "Generator Deactivations," (Accessed on March 31, 2020) <<http://www.pjm.com/planning/services-requests/gen-deactivations.aspx>>.

<sup>3</sup> See PJM. Planning. "New Services Queue," (Accessed on March 31, 2020) <<https://www.pjm.com/planning/services-requests/interconnection-queues.aspx>>.

which may be allowed by the RTEP upgrade and the value of the ARR are assumed to match the forecasted CLMP differences on the ARR paths.

The Reliability Pricing Model (RPM) Benefit analysis is conducted using the RPM solution software, with and without the proposed RTEP project, using a set of estimated capacity offers.

The definition of the benefit in the RPM benefit analysis depends on whether the project is regional or subregional. For a regional project, the RPM benefit for each modeled year is equal to 50 percent of the change in system wide total system capacity payments with and without the project plus 50 percent of the change in zonal capacity payments with and without the project, including only those zones where the project reduced the capacity payments. For subregional projects, the reliability pricing model benefits for each modeled year ignores any impact on system wide total capacity payments and is equal to the change in zonal capacity payments with and without the project, including only those zones where the project reduced the capacity payments.

The difference in the benefits calculation used in the regional and subregional cost benefit threshold tests is related to how the direct costs of the transmission projects are allocated for approved regional and subregional projects. The costs of an approved regional project are allocated so that 50 percent of the total costs are allocated on a system wide load ratio share basis and the remaining 50 percent of the total costs are allocated to zones with projected energy market benefits and reliability pricing model benefits in proportion to those projected positive benefits. The costs of an approved subregional project are allocated so that the total costs of the project is allocated to zones with projected energy market benefits and reliability pricing model benefits in proportion to those projected positive benefits.

There are significant issues with PJM's benefit/cost analysis. The current rules governing benefit/cost analysis of competing transmission projects do not accurately measure the relative costs and benefits of transmission projects. The current rules do not account for the fact that the benefits of projects

are uncertain and highly sensitive to the modeling assumptions used. The current rules explicitly ignore the increased zonal load costs that a project may create. The current rules do not account for the fact that the project costs are nonbinding estimates, are not subject to cost caps and may significantly exceed the estimated costs. These flaws have contributed to PJM approving market efficiency projects with forecasted benefits that do not exceed the forecasted costs.

The broader issue is that the market efficiency project approach explicitly allows transmission projects to compete against future generation projects, but without allowing the generation projects to compete. Projecting speculative transmission related benefits for 15 years based on the existing generation fleet and existing patterns of congestion eliminates the potential for new generation to respond to market signals. The market efficiency process allows assets built under the cost of service regulatory paradigm to displace generation assets built under the competitive market paradigm. The MMU recommends that the market efficiency process be eliminated.

### The Transource Project

The Transource Project (Project 9A) is an example of a PJM approved market efficiency project that passed PJM's 1.25 benefit/cost threshold test despite having benefits, if accurately calculated, that were less than forecasted costs. This project also illustrates the risks of ignoring potential cost increases given that the costs included in the benefit/cost calculation are nonbinding estimates. The Transource Project was proposed in PJM's 2014/2015 RTEP long term window. PJM's 2014/2015 RTEP long term window was the first market efficiency cycle under Order 1000. The 2014/2015 long term window was open from November 1, 2014, through February 28, 2015. This window accepted proposals to address historical congestion on 12 identified flowgates. The AP South Interface was one of the 12 identified flow gates listed in the 2014/15 RTEP Long Term Proposal Window Problem Statement.

A total of 41 market efficiency projects were proposed to address congestion on the AP South Transmission Interface. Transource Energy LLC, together with

Dominion High Voltage, submitted a proposal referenced by PJM as Project 9A (or IEC or the Transource project) to address AP South related congestion.

Project 9A was considered a subregional project based on its voltage level, meaning that changes in forecasted system costs were not considered for purposes of estimating the benefit/cost ratios. Instead, only reductions in zonal load costs were considered as a benefit of the project. Any increases in zonal load costs were ignored in the analysis.

The initial study had a benefit to cost ratio of 2.48, with a capital cost of \$340.6 million. The sum of the positive (energy cost reductions) effects was \$1,188.07 million. The sum of negative effects (energy cost increases) was \$851.67 million. The net actual benefit of the project in the study was therefore \$336.40 million, not the \$1,188.07 used in the study. Using the total benefits (positive and negative) to compare to the net present value of costs, the benefit to cost ratio was 0.70, not 2.48. The project should have been rejected on those grounds.

Subsequent studies of the 9A project have reduced its benefit/cost ratio as a result of increased costs, decreased congestion on the AP South Interface since 2014 and a reduction in peak load forecasts since 2015.

## PJM MISO Interregional Market Efficiency Process (IMEP)

PJM and MISO developed a process to facilitate the construction of interregional projects in response to the Commission's concerns about interregional coordination along the PJM-MISO seam. This process, called the Interregional Market Efficiency Process (IMEP), operates on a two year study schedule and is designed to address forward looking congestion. To qualify as an IMEP project, the project must be evaluated in a joint study process, qualify as an economic transmission enhancement in both PJM and MISO transmission expansion models and meet specific IMEP cost benefit criteria.<sup>39</sup> The allocation of costs to each RTO for IMEPs will be in proportion to the **benefits received**.

<sup>39</sup> See "Joint Operating Agreement Between the Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, LLC." (December 11, 2008) <<http://www.pjm.com/directory/merged-tariffs/miso-joa.pdf>>.

PJM and MISO conducted a two year interregional market efficiency project study in 2018/2019 and included the investigation of forward looking congestion on three market to market flowgates. Proposals were received during the 2018/2019 long term window, which was open from November 2, 2018, through March 15, 2019. PJM and MISO received 10 proposals from seven entities. As a result of this analysis, the RTOs recommended one IMEP project.<sup>40</sup> The approved project has an in service cost of \$24.7 million and a PJM benefit/cost ratio of 2.63. The PJM board approved the recommended project in December 2019. As of March 31, 2020, the project was still being considered for recommendation to the MISO Board.

## PJM MISO Targeted Market Efficiency Process (TMEP)

PJM and MISO developed the Targeted Market Efficiency Process (TMEP) to facilitate the resolution of historic congestion issues that could be addressed through small, quick implementation projects. The TMEP process operates on a 12 month study schedule. To qualify as a TMEP project, the project must have an estimated in service date by the third summer peak season from the year the project was approved, have an estimated cost of less than \$20 million and meet specific TMEP cost benefit criteria.<sup>41</sup> The allocation of costs to each RTO for TMEPs will be in proportion to the benefits received.<sup>42</sup>

On November 2, 2017, PJM submitted a compliance filing including additional revisions to the MISO-PJM JOA to include stakeholder feedback in the TMEP project selection process.<sup>43</sup>

The first Targeted Market Efficiency Process (TMEP) analysis occurred in 2017 and included the investigation of historical congestion on an initial set of 50 market to market flowgates. The causes of congestion on these flowgates were analyzed. If the historical congestion was a result of outages, or if the congestion was expected to be mitigated by planned upgrades already included in the PJM RTEP or MISO MTEP, then the flowgate was eliminated from consideration in the TMEP process. As a result of this analysis, potential

<sup>40</sup> Analysis showed that no projects met the B/C criteria on two of the identified flowgates.

<sup>41</sup> See "Joint Operating Agreement Between the Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, LLC." (December 11, 2008) <<http://www.pjm.com/directory/merged-tariffs/miso-joa.pdf>>.

<sup>42</sup> See *PJM Interconnection, LLC*, Docket No. ER17-729-000 (December 30, 2016).

<sup>43</sup> See *PJM Interconnection, LLC*, Docket No. ER17-718-000, et al. (November 2, 2017).