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Southern Maryland Electric Cooperative, Inc.

Presentation to TOA-AC

October 7, 2016

Objectives

- Brief overview of SMECO and its operations and facilities
- NERC's recent determination that SMECO must register as a Transmission Owner
- Implications of NERC's determination for:
 - SMECO contracting with an entity to perform Transmission Operator (TOP) functions
 - SMECO's execution of CTOA, as a Zero Revenue Requirement party, as a prerequisite to PJM's performance of TOP functions
- Next Steps



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SMECO Overview



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SMECO Overview

- Organization
 - Customer-owned electric cooperative
 - Organized as a not-for-profit Maryland corporation
 - Employees
 - 517
 - Offices
 - Headquarters – Hughesville
 - Regional Office - Leonardtown
- Statistics
 - Total Customers: 163,303
 - System Demand Peak: 1,002.7 MW [2015]



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Leadership Team

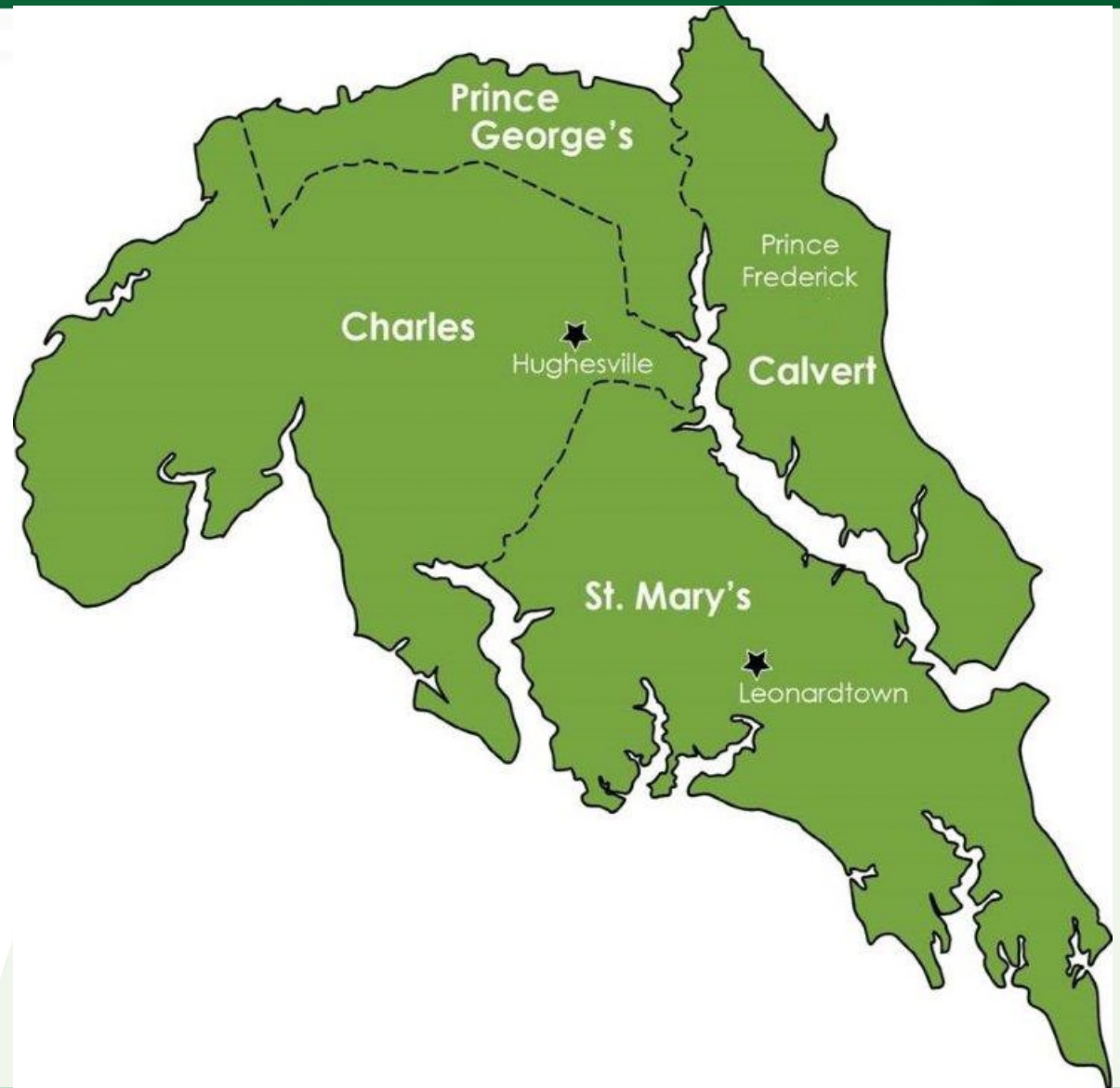
- Key Staff
 - President and Chief Executive Officer
 - Austin J. Slater, Jr.
 - Senior Vice President, Engineering and Operations and Chief Operating Officer
 - Kenneth Capps
 - Senior Vice President, Financial, Economic, and Employee Services and Chief Financial Officer
 - Sonja M. Cox
 - Senior Vice President, External Affairs and General Counsel
 - Mark A. MacDougall
 - Senior Vice President, Customer & Enterprise Services and Chief Information Officer
 - Joseph Trentacosta
- Senior Management – Reliability Compliance
 - Reliability, Compliance & Security Managing Director
 - Dave Viar



Territory Map

SMECO provides electricity to all or portions of 4 counties in Southern Maryland: Prince George's County, Charles County, St. Mary's County, and Calvert County.

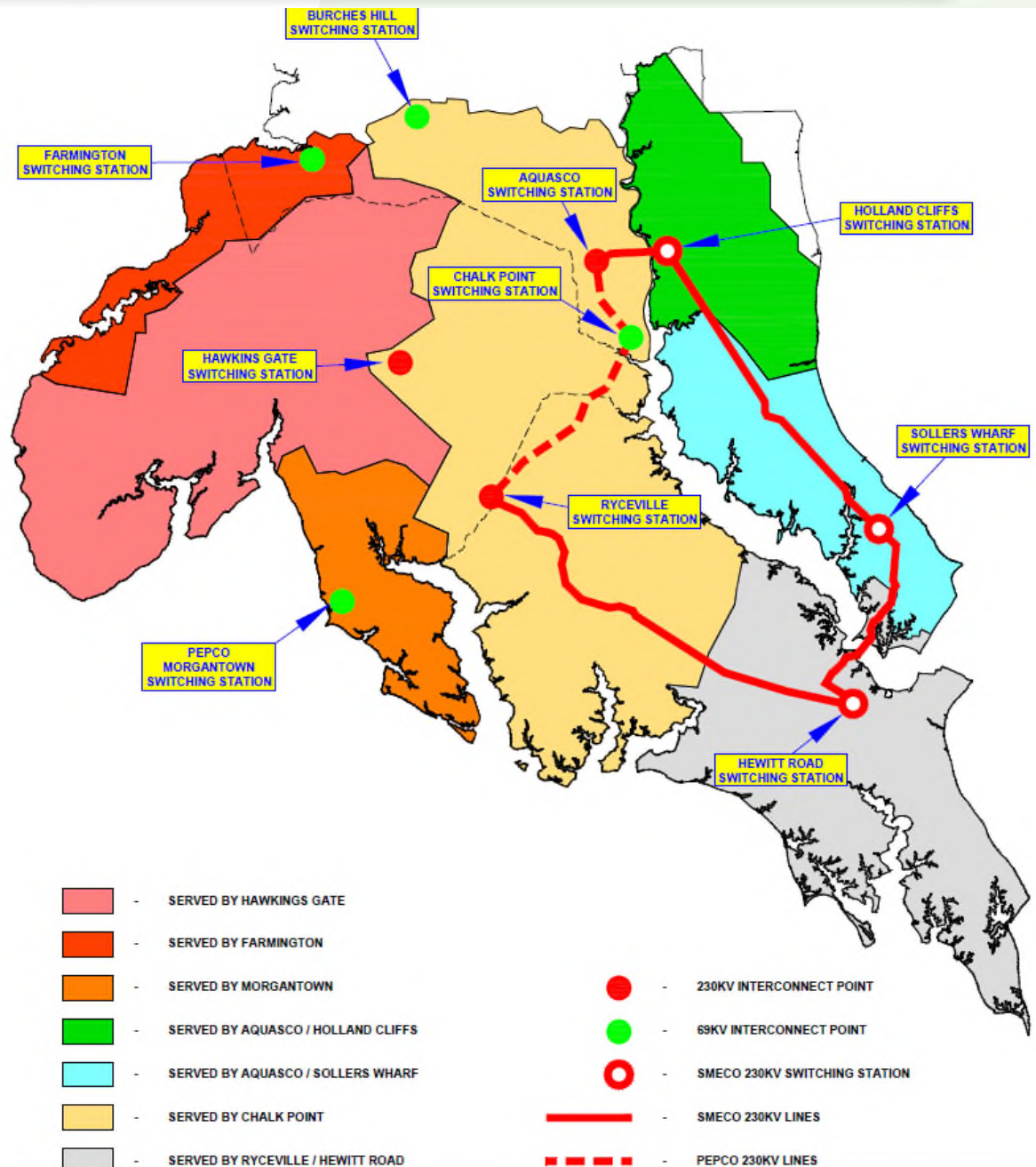
SMECO Service Area
1,150 square miles



SMECOSM

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Territory Map



SMECOSM
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SMECO System

- All interconnections with PJM system are through PEPCO
- Located wholly within the PEPCO Zone
- Interconnections with PEPCO System

<u>Interconnections</u>	<u>Voltage (kV)</u>
4	69
3	230

- 230 kV Facilities: 47 miles of dual-circuit 1590 ACSR; 10 miles of single circuit (includes 4600 ft solid dielectric submarine cable)



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SMECO System

- 230 kV Transmission Protection Schemes
 - Redundant line current differential
 - Redundant breaker failure
- SMECO provides distribution offsite power to supply Engineered Safeguard loads at Calvert Cliffs Nuclear Power Plant.
- SMECO owns distributed UFLS relays at the 12.47 voltage level.
- SMECO does not operate an UVLS program.
- SMECO does not own any Special Protection Systems (aka. Remedial Action Schemes).



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SMECO – Status as NERC TO



SMECO Exception Request; TO Status

- November 20, 2014 – SMECO submitted an Exception Request to ReliabilityFirst (RF)
 - SMECO system is a Local Network
- January 2016 - RF Technical Review Panel supports RF initial recommendation to deny Exception Request
- April 20, 2016 – NERC agrees with RF's denial of the Exception Request
- SMECO did not appeal NERC decision
- SMECO must register as a Transmission Owner



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SMECO Registration as TO

- SMECO has regular calls with PJM technical team to discuss arrangements for SMECO's registration as TO
- Several technical and legal issues must be addressed prior to registration
- SMECO has submitted an implementation plan to RF with a proposed registration as of mid-January 2017

TO Registration Issues; Jurisdictional Issues



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Registration/Jurisdictional Issues

- SMECO is currently not FERC-jurisdictional
 - Rural cooperative
 - Sells less than 4,000,000 MWhs per year
- Will become FERC-jurisdictional when SMECO sells more than 4,000,000 MWhs per year, if SMECO's facilities are classified as "transmission"
 - SMECO no longer receives financing under the Rural Electrification Act



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Registration/Jurisdictional Issues

- SMECO's non-jurisdictional status, and potential continuing non-jurisdictional status even when sales exceed 4,000,000 MWh, raised unique issues relative to performance of NERC-required TOP functions
- In RF, PJM is the registered TOP for nearly all transmission facilities in PJM region
- PJM position (after several meetings/calls with PJM):
 - For PJM to perform TOP functions for SMECO, SMECO must sign Consolidated Transmission Owners Agreement (CTOA)



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Registration/Jurisdictional Issues

- SMECO's execution of CTOA:
 - Would impose on SMECO obligations that are unrelated to PJM's TOP functions and that would not otherwise be imposed on SMECO as a non-jurisdictional entity (e.g., planning, upgrades, interconnection, open access)
 - Is necessary, in some form, to have PJM serve as TOP
 - May impact SMECO's jurisdictional status relative to FERC
 - May impact SMECO's rates that are currently subject to Maryland PSC jurisdiction



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Decision/Next Steps

- After careful consideration and discussions with PJM:
 - SMECO will be executing CTOA as a Zero Revenue Requirement party
 - SMECO may transition to a "full" CTOA signatory over the next 2-3 years
 - Cover letter to FERC, for filing of CTOA execution page, will explain SMECO's unique issues/concerns
 - Filing targeted for late October, to allow CTOA status to become effective no later than January 1, 2017



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Thank you~

Questions?

SMECOSM

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