



April 14, 2015

PJM Interconnection, L.L.C.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497

Attention: Steve Herling, Vice President, Planning

RE: 2014 RTEP Proposal Window 2 - Pratts Area Project Selection

Dear Steve:

Ameren Transmission Company of Illinois (ATXI) respectfully submits the following comments for your consideration. These comments regard the above referenced proposal window and the decision by PJM to recommend the proposal submitted by Dominion/First Energy to the Transmission Expansion Advisory Committee (TEAC) on February 12, 2015.

PJM has recommended the DOM/FE Proposal 2014_2-13A with costs estimated by PJM to range from \$129 - \$164 million. The recommended solution includes the conversion of the existing FirstEnergy radial Gordonsville to Pratts 115 kV line to 230 kV and terminates in the new Oneals Road (Pratts) 230 kV substation, thus creating a new Gordonsville to Oneals Road (Pratts) 230 kV line. This solution also incorporates the installation of a new 230/115 kV transformer to supply the existing 115 kV radial bus at Pratts. The recommended solution solves the required reliability violations but leaves more than 100 MW of load at risk due to a single N-1 contingency. ATXI believes that its Proposal 2014_2-14A provides a more robust solution to address the violations that PJM has identified in the Pratts area.

PJM has indicated that the DOM/FE Proposal 2014_2-13A will be recommended based upon a combination of factors, including cost, risk, right-of-way and schedule. Section 1.5.8(e) of Schedule 6 of the PJM Operating Tariff defines the following criteria for considering inclusion of a project in the recommended plan. The criteria are: *“(i) the extent to which a Short-term Project or Long-lead Project would address and solve the posted violation, system condition, or economic constraint; (ii) the extent to which the relative benefits of the project meets a Benefit/Cost Ratio Threshold of at least 1.25:1 as calculated pursuant to Section 1.5.7(d) of this Schedule 6; (iii) the extent to which the Short-term Project or Long-lead Project would have secondary benefits, such as addressing additional or other system reliability, operational performance, economic efficiency issues or federal Public Policy Requirements or state Public Policy Requirements identified by the states in the PJM Region;*

and (iv) other factors such as cost-effectiveness, the ability to timely complete the project, and project development feasibility.” PJM indicated to the TEAC that they selected the most cost-effective project that addressed the specified violations. ATXI's concern is that PJM did not adequately consider ATXI’s proposal specifically with respect to criteria (iii) in arriving at their recommendation.

Specifically we are concerned with item (iii): *“The extent to which the Short-term Project would have secondary benefits, such as addressing additional or other system reliability or operational performance”*. The recommended proposal provides little or no secondary benefits. In fact it will leave more than 100 MW of load served through a single radial 230/115 kV transformer, that is serving customers in First Energy’s service territory. In contrast, ATXI’s Proposal 2014_2-14A, which ATXI estimated to cost \$139.35 MM and PJM estimated to cost between \$137-174 MM, incorporated the installation of a new 230 kV line to Pratts, rather than conversion of an existing 115 kV line into a 230 kV line. This would provide a second source into Pratts and eliminate the risk associated with the radial load, thereby providing significant secondary benefits, at little to no incremental cost over the DOM/FE project.

During the February 12 TEAC meeting, ATXI questioned PJM whether the additional reliability benefits associated with ATXI’s proposal had been taken into consideration. PJM's response was that they did not see any reliability benefit provided by ATXI’s solution. PJM specifically commented that “they saw no issues with maintenance outages, resulting from taking out the transformer; that the transformer can be taken out of service during non-critical periods”. While this may be true, (ATXI does not have information on the distribution system), this does not address the failure of the transformer and the resultant loss of load. ATXI has contacted PJM by email to further understand PJM’s evaluation process, including how PJM evaluates projects that provide additional reliability, and PJM provided the following reply:

“Based on a combination of factors, including cost, risk, ROW and timeframe PJM determined that the Dominion 13A proposal would be recommended to the board for inclusion in the RTEP. We appreciate your points regarding the additional benefits of your proposal, and for a future proposal these types of additional information could be a determining factor, but for the Pratts area issue, PJM believes that based on the factors listed above and discussed at the 2/12/2015 TEAC Dominion’s 13A proposal is the best proposal and will be recommended to the board for inclusion in the RTEP.”

ATXI’s Proposal 2014_2-14A clearly provides secondary benefits that address system reliability and operational performance issues that will not be resolved by the proposal that PJM have recommended. More specifically, our proposed solution provides an additional source into Pratts enabling customers in that area to remain unaffected by a 230/115 kV transformer outage at Pratts during summer peak; **the recommended solution does not provide this enhanced reliability.** Moreover, given that PJM’s estimated cost differential between our proposal and the recommended proposal is relatively immaterial, ATXI believes its proposal would be far superior for PJM ratepayers because it cost-effectively addresses the required reliability criteria violations, while providing additional reliability and operating flexibility.

ATXI is bringing this issue to your attention because we are concerned that PJM's evaluation and recommendation did not consider the additional reliability, operational and economic benefits provided by ATXI's Proposal 2014_2-14A as specified in the Tariff. PJM's evaluation and subsequent communication to the TEAC also demonstrates a lack of transparency within PJM's competitive solicitation process. The evaluation presented by PJM and subsequent correspondence to ATXI indicate that PJM may not consistently apply the evaluation criteria listed in the PJM Tariff. When ATXI requested specifically 'how PJM values additional reliability' in their solicitations, PJM responded by stating that 'for a future proposal these types of additional information could be a determining factor'. However, in response to ATXI's requests for clarification, PJM did not confirm that any incremental reliability, operational and economic benefits were evaluated in arriving at their recommendation for the Pratts area issue or how they valued the additional reliability and operational benefits of the ATXI project.

In contrast to the evaluation processes being established by other RTOs, the PJM Tariff provides no detail regarding the relative importance/ranking of the various criteria in the evaluation process and PJM does not provide any quantitative evaluation of proposals versus the criteria listed in the PJM Tariff. Thus, while evaluation criteria are referenced in the PJM Tariff, there is no way for developers to understand how they are applied or whether they are being applied in a consistent and transparent manner. ATXI believes that, absent clear feedback on proposal award decisions, developers will be discouraged from expending valuable time and resources to propose innovative solutions that could add significant secondary value to PJM customers because the developers do not understand if or how any incremental value will be considered by PJM.

For the reasons listed above, ATXI respectfully requests that PJM re-consider the incremental reliability and operational benefits of ATXI's proposal prior to finalizing its recommendation. ATXI also requests PJM to provide your interpretation of section (iii) of the PJM Tariff for competitive solicitations, to further clarify how you evaluate secondary reliability and operational benefits. This transparency will ultimately benefit the very customers who fund PJM and its transmission expansion by ensuring that all benefits are evaluated and realized. With this knowledge, ATXI and all other incumbent and non-incumbent developers will understand the value these secondary benefits in future solicitations to bring the highest value to PJM customers.

Kind Regards,

Ameren Transmission Company of Illinois (ATXI)



Shawn E. Schukar
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