

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.)	Docket Nos. ER06-456-000, et al.
)	ER06-954-000, et al.
)	ER06-1271-000, et al.
)	ER07-424-000, et al.
)	
PJM Interconnection, L.L.C.)	Docket Nos. EL07-57-000
)	
)	
PJM Interconnection, L.L.C.)	Docket Nos. ER06-880-000, et al.
)	
)	(Consolidated)

PJM RTEP Transmission Cost Allocation

Rebuttal Testimony of Robert M. Fagan
Synapse Energy Economics
22 Pearl Street, Cambridge, MA 02139

Prepared for:
New Jersey Department of the Public Advocate, Division of Rate Counsel

April 16, 2008

1 Q. Please state your name and business address.

2 A. My name is Robert M. Fagan. I am a Senior Associate with Synapse Energy
3 Economics, Inc., 22 Pearl Street, Cambridge, MA 02139.

4 Q. On whose behalf are you testifying in this case?

5 A. I am testifying on behalf of the New Jersey Department of the Public Advocate,
6 Division of Rate Counsel (Rate Counsel).

7 Q. Have you previously submitted testimony in this case?

8 A. Yes. I submitted Direct Testimony on January 23, 2008.

9 Q. What is the purpose of your testimony?

10 A. The primary purpose of my testimony is to address the issue of 'load growth
11 credits' for merchant transmission facilities (MTF) for future interconnection
12 costs, as suggested in the testimony of FERC staff's Dr. Savitski.¹ I also clarify
13 my position on an issue I addressed in my direct testimony, namely PJM's interim
14 use of 50% of MTF's Firm Transmission Withdrawal Rights (FTWR) for cost
15 allocation purposes for RTEP projects filed with the Commission after May 31,
16 2007.

17 Q. What is the 'load growth credit' issue?

18 A. Existing load-serving entities using the PJM-operated transmission system do not
19 have to apply to PJM to increase the amount of power they withdraw over their
20 interconnections to the PJM-controlled grid. Historically, these entities have built
21 their transmission system elements and factored in load growth requirements.
22 Such costs associated with their systems are already part of the rate-regulated
23 transmission grid. However, MTFs are limited in what they can withdraw by
24 their FTWR levels. If MTFs want to increase their take from the grid, they must
25 apply to PJM and possibly incur additional interconnection costs.

¹ Direct and Answering Testimony of David W. Savitski, Exhibit No. S-1, at 2: 28-32 and 9: 6-14 and 18: 7 to 19: 8.

1 'Load growth credits' refers to the consideration of crediting MTFs for the fact
2 that they cannot increase their FTWR without re-applying to PJM, yet they pay a
3 share of costs for RTEP facilities that are planned with regional and system-wide
4 load growth in mind.

5 Q. What does Dr. Savitski suggest in regard to 'load growth credits' for MTF?

6 A. Dr. Savitski suggests that MTFs receive a 'load growth credit' against future
7 interconnection costs if the MTF decides to increase their Firm Transmission
8 Withdrawal Rights.

9 Q. What is the intent of the suggested crediting mechanism?

10 A. It appears that the intent is to address the way in which RTEP cost allocation to
11 MTFs recognizes the difference between potential MTF load growth and potential
12 load serving entity (LSE) load growth. LSE load growth does not necessarily
13 entail increased interconnection charges by PJM, but MTF load growth beyond
14 planned FWTRs might entail increased interconnection charges. I surmise that
15 the suggestion to credit MTFs for load growth arises from the concern that MTFs
16 be treated similarly as LSE load.

17 Q. Do you agree this type of crediting mechanism is necessary?

18 A. No. As noted in the testimony of PJM's Harvey Reed², the allocation of RTEP
19 costs to MTFs will continually decrease if surrounding LSE zone load grows
20 while MTF FWTR does not grow. The current RTEP charging mechanism
21 automatically adjusts charges to respect the relative increases (or decreases) in
22 load growth across PJM system users.

² Cross-Answering Testimony Of Harvey J. Reed On Behalf Of Public Service Electric And Gas Company, Jersey Central Power & Light Company, Metropolitan Edison Company, Pennsylvania Electric Company, Baltimore Gas And Electric Company, And Allegheny Power. Exhibit PTO-9, at 23: 17-18.

1 Q. What is the clarification you make in regards to your direct testimony on PJM's
2 interim position on cost allocation to MTFs for RTEP projects filed with the
3 Commission after May 31, 2007?

4 A. In my direct testimony I was under the mistaken impression that PJM planned to
5 use 50% of a MTF's existing or planned FTWRs for cost allocation purposes for
6 RTEP projects filed with the Commission after May 31, 2007. I now understand
7 that that was PJM's position only for the "interim" period after the Settlement³
8 and before the Commission resolves issues in this hearing. I agree with PJM's
9 position that it will use 100% of FTWRs for MTF cost allocation purposes for
10 such later RTEP projects once the Commission resolves the issues in this
11 hearing.⁴

12 Q. Does this conclude your testimony?

13 A. Yes.

³ ER06-456 et al., September 14, 2007.

⁴ As noted in Cross Answering Testimony of Mr. Paul Napoli, Exhibit PTO-6, 4: 1-9.