FERC’s Planning and Cost Allocation Guidelines: Will They Alter the Dynamics of Siting Multi-State Transmission Lines?

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September 22, 2011
PSE&G is the Largest Utility in New Jersey Providing Electric, Gas and Transmission Services...

- Electric Customers Growth (2005 – 2010): 2.2 Million (4.0%)
- Gas Customers Growth (2005 – 2010): 1.8 Million (4.0%)
- Electric Sales and Gas Sold and Transported: 43,645 GWh, 3,465 M Therms
- Historical Annual Load Growth Distribution (2006 - 2010): (0.5%)*, (1.0%)*
- Historical Annual Peak Load Growth Transmission (2006 – 2010): (0.1%)
- Projected Annual Load Growth (2011 – 2013): 1.3%**, 0.8%**
- Projected Annual Load Growth Transmission (2011 – 2013): 1.4%

<table>
<thead>
<tr>
<th>Sales Mix</th>
<th>Electric</th>
<th>Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>33%</td>
<td>61%</td>
</tr>
<tr>
<td>Commercial</td>
<td>57%</td>
<td>36%</td>
</tr>
<tr>
<td>Industrial</td>
<td>10%</td>
<td>3%</td>
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* Actual
** Weather normalized = estimated annual growth per year over forecast period... nine consecutive ReliabilityOne™ Awards for the Mid-Atlantic
PSE&G is in the Process of Implementing a Significant Transmission Investment Plan

Transmission investment represents over 50% of PSE&G’s planned capex over 2011-2013
Siting Transmission is Challenging

- **Numerous governmental approvals**
  - Siting forum determined on a case by case basis
    - State/municipal and current back stop FERC authority
    - Federal and local authorities – NPS, Meadowlands Commission, Highlands Commission, Pinelands Commission
  - Condemnation
  - State environmental permits

- **Challenges – coordination and timing**

- **Key issues**
  - Re-evaluation of need and alternatives
  - Cost and alternatives
  - Impacts and mitigation
  - Aesthetics

- **PSE&G design philosophy to minimize environmental & customer impacts**
  - Use of existing or public rights of way and transmission rights of way
  - Alternative design, construction techniques and best management practices

- **Contingency planning to maintain reliability during project execution**
Susquehanna-Roseland 500 KV Circuit

- **Project**
  - Identified by PJM in 2007 as needed to address numerous reliability violations that will occur as early as 2012
  - Cost allocation on a load ratio share basis across PJM
  - 500 kV line to be built predominately on existing ROW
  - 145 miles: 100 miles in PA, 45 miles in NJ
  - 16 municipalities in NJ, two national parks, Highlands region and wetlands

- **Approvals**
  - Both Pennsylvania and New Jersey public utility commissions approved project in 2010
  - NPS EIS process currently underway with record of decision expected in October 2012
  - Rapid Response Team

- **Primary issues raised in proceeding**
  - Need
  - Alternatives
  - Cost
  - EMF
  - View impact
  - Vegetation management
  - Exports to NY
  - Environmental Issues
Order 1000 – Will it Change the Dynamics?

- **Public policy transmission projects**
  - Will the siting authority agree with the public policy objective?
  - Does the legal authority align with the objective?

- **Inter-regional transmission projects**
  - Will both regions agree that the project is needed?

- **ROFR: transmission projects being built and owned by third parties**
  - Authority to file for siting under state law
  - New ROW – authority to exercise eminent domain under state law?
  - New issues e.g. does the entity have the requisite experience?

- **Cost allocation**
  - Roughly commensurate with benefits
  - Where beneficiaries are located in siting area
  - Where beneficiaries are located outside of siting area
Appendix

- Applications for siting may be filed either with local municipalities or where 2 or more municipalities are crossed – directly with the BPU (N.J.S.A. 40:55D-19)

- Where BPU approval is sought applicant must demonstrate that the project is “reasonably necessary for the service, convenience or welfare of the public. (N.J.S.A. 40:55D-19)
  - Typically a contested proceeding with expert testimony, extensive discovery, both public and evidentiary hearings
  - Process typically has taken 9 - 12 months

- Once either municipal or BPU siting approval is obtained, applicant may still need to acquire additional land rights
  - If necessary land cannot be acquired through negotiations, condemnation is sought
  - Under N.J.S.A. 48:3-17.6, NJ utilities have the authority to seek approval to exercise eminent domain
    - Utility must file petition with the BPU demonstrating that the property interest is reasonably necessary for the service, accommodation, convenience or safety of the public and that the taking shall not unduly injure the property owners. N.J.S.A. 48:3-17.7
    - Decision must be implemented in state court