

February 15, 2006

Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: PJM Interconnection, LLC
Docket No. EL05-121-000**

Dear Secretary Salas,

Attached for filing in the above-referenced proceeding, please find an electronic copy of the Prepared Cross-Answering Testimony of Richard A. Galligan on behalf of Joint Consumer Advocates.

Sincerely,

/s/ filed electronically

Sandra Mattavous-Frye
Deputy People's Counsel
Lopa Parikh
Assistant People's Counsel
Office of the People's Counsel for the
District of Columbia

On behalf of the Joint Consumer Advocates

Enclosure
cc: Official Service List

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, LLC) Docket No. EL05-121-000

SUMMARY OF PREPARED CROSS ANSWERING TESTIMONY
OF RICHARD A. GALLIGAN
ON BEHALF OF THE JOINT CONSUMER ADVOCATES

Pursuant to the procedures established herein, the District of Columbia Office of the People's Counsel (“DC OPC”), the Maryland Office of the People's Counsel (“MFC”), the Pennsylvania Office of the Consumer Advocate (“PA OCA”) and the New Jersey Division of Ratepayer Advocate (“NJ RPA”) (collectively referred to as “Joint Consumer Advocates” or “JCA”) hereby respectfully submit this summary of the Prepared Cross Answering Testimony of Richard A. Galligan.

Richard A. Galligan provides cross answering testimony on behalf of the Joint Consumer Advocates in response to the Federal Energy Regulatory Commission (“FERC”) Staff’s proposed single, system-wide, postage stamp rate design for the recovery of existing regional transmission facilities in the PJM grid. Mr. Galligan concludes that proponents of the postage stamp rate design have not provided sufficient evidence in this proceeding to support a finding that the current license plate rate design is unreasonable, or that a proposal to adopt a postage stamp rate design is reasonable.

In his cross answering testimony, Mr. Galligan explains that the efficiency benefits claimed to justify the change from a license plate rate to a postage stamp rate, including lower cost reliability benefits and certain generation cost reducing benefits, do not support a finding that regional transmission facilities costs should be recovered in a postage stamp rate design. A realization of *some* differing amounts of additional benefit by some participants in the transmission market does not support a conclusion that all participants should provide for the recovery of regional transmissions costs through the imposition of a single transmission recovery rate which will result in other areas paying more. Moreover, the main function of transmission facilities during the vast bulk of transmission investment history has been to provide for zonal reliability. To price transmission service largely on the basis of the ancillary, additional benefits that relate only to the interconnection of zonal transmission facilities improperly ignores the continuing provision of benefits related to zonal reliability.

Mr. Galligan also points out that not all generation that is connected to the PJM transmission grid is offered for sale in the competitive wholesale market. Various state regulators and generation owners have preserved significant generation capacities for their native load customers. Unequal access to generation supplies does not support a prescription for single, system-wide, postage stamp rate design because this undermines the rationale for a postage stamp rate.

Mr. Galligan testifies that the FERC Staff's proposed postage stamp rate design creates real, significant changes in cost recovery responsibilities for transmission owners, i.e., there will be winners (those experiencing cost reductions) and losers (those experiencing cost increases). The cost increases, and the very uncertainty of costs to be incurred for existing and potential

transmission owners may create incentives to exit PJM, or to not join a transmission pool.

Additionally, Mr. Galligan testifies that the differing cost responsibilities under the FERC Staff's proposed rate design are not necessarily consistent with greater equity among market participants, and indeed, could be less equitable than existing PJM transmission access rates.

Mr. Galligan concludes that FERC Staff's proposal should not be adopted as it creates inequities that do not justify any purported efficiencies created by a change in rate design.

CERTIFICATE OF SERVICE

I certify that I have served a copy of the foregoing Summary and the accompanying Prepared Cross Answering Testimony of Richard A. Galligan upon each person designated on the Official Service List compiled by the Secretary in this proceeding. Dated at Washington, D.C. this 15th day of February, 2006.

/s/ filed electronically

Lopa Parikh
Assistant People's Counsel

On Behalf of the Joint Consumer Advocates

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**PJM Interconnection, LLC
Docket No. EL05-121-000**

PREPARED CROSS ANSWERING TESTIMONY

OF

RICHARD A. GALLIGAN

ON BEHALF OF

JOINT CONSUMER ADVOCATES

FEBRUARY 15, 2006

**PREPARED CROSS ANSWERING TESTIMONY
OF RICHARD A. GALLIGAN ON BEHALF OF
JOINT CONSUMER ADVOCATES**

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Richard A. Galligan. I am a principal with Exeter Associates, Inc., a
3 firm of consulting economists specializing in utility economics. My business address is
4 5565 Sterrett Place, Suite 310, Columbia, Maryland, 21044.
5

6 Q. ARE YOU THE SAME RICHARD A. GALLIGAN WHO TESTIFIED EARLIER IN
7 THESE PROCEEDINGS?

8 A. Yes. On November 22, 2005, I submitted prepared answering testimony in this
9 Docket No. EL05-121-000 on behalf of the Joint Consumer Advocates and a separate
10 piece of answering testimony on behalf of the Maryland Office of the People's Counsel
11 and the District of Columbia Office of the People's Counsel. My cross answering
12 testimony herein is filed on behalf of the Joint Consumer Advocates.
13

14 Q. WHAT IS THE PURPOSE OF YOUR CROSS ANSWERING TESTIMONY?

15 A. My cross answering testimony responds to the Federal Energy Regulatory
16 Commission ("FERC") Staff's proposed transmission rate design and to the basis on
17 which FERC Staff bases its proposals. The FERC Staff witnesses include Messrs.
18 Charlton I. Clark, David W. Savitski, and Johnathan L. Siems.
19

20 Q. PLEASE SUMMARIZE THE FERC STAFF'S PROPOSALS IN THIS CASE.

21 A. The FERC Staff is proposing a single, system-wide, postage stamp rate design to
22 recover the costs of all existing transmission facilities that were turned over to the control
23 of PJM. This pricing prescription would apply to the recovery of existing facility costs.
24 For new investment, Staff proposes that Schedule 12 of the PJM OATT,

1 which was recently approved by the Commission continue to apply. In order to avoid an
2 arbitrary distinction between regional and local transmission facilities that the FERC
3 Staff believes is contained in the AEP and TOP proposals, Staff is proposing to identify
4 postage-stamp-eligible transmission investment as transmission facilities that are defined
5 in Section 1.44 of the Amended and Restated Operating Agreement of PJM
6 Interconnection, LLC. Staff believes that since the transmission facilities over which
7 PJM exercises control contribute to regional benefits, the costs of all such facilities
8 should be socialized. Staff believes this proposal is the fairest result, i.e., consistent with
9 the goal of equity.
10

11 Q. PLEASE DESCRIBE THE FERC STAFF'S EFFICIENCY CONCERNS WITH PJM'S
12 CURRENT LICENSE PLATE RATE DESIGN.

13 A. FERC Staff witness Savitski explains that a transmission grid exhibits
14 characteristics of a public good. Specifically, at pages 9-10 of his Answering Testimony,
15 he states that once a transmission grid is built, there are certain resulting benefits that are
16 enjoyed by all customers. These benefits include increased reliability, and generating
17 cost reduction efficiencies.¹ These generation efficiencies are achieved through
18 competition, which forces generation suppliers' offers closer to their marginal costs
19 (presumably producing electric power supply prices closer to marginal costs), and more
20 efficient generation dispatch. At page 19 of his Answering Testimony, Dr. Savitski
21 concludes that, "The evolution to a competitive generation market in PJM, supported by
22 the transmission grid platform, argues for socialized treatment of the regional facilities,
23 such as under AEP or TOP's rate method."

¹ Staff's enumerated public good-like benefits, in fact, resemble in important aspects jointly produced services that are bundled together and sold together as transmission service. The JCA is not setting at issue the FERC Staff's Choice of nomenclature applied to the stated benefits; rather, we will discuss whether the benefits enumerated by Staff support Staff's conclusion and recommendation for a single, system-wide, postage stamp rate design.

1 Thus, traditional transmission service benefits are distinguished by the FERC
2 Staff from other public good-type services, which are related to and provided by the
3 existence of the transmission grid and not necessarily recovered in transmission rates. In
4 a competitive market, the “exclusion principle” is evident: Those who pay the price get
5 the good or service, and importantly, those who do not pay the price do not get the good
6 or service. The exclusion principle is evident regarding the provision of traditional
7 transmission service -- those who pay the price get transmission service, those who do
8 not pay the price do not qualify for transmission service. Because the exclusion principle
9 does not apply to the other bundled attributes of transmission service separately identified
10 by the FERC Staff, i.e., (1) increased reliability benefits and (2) efficiency benefits in the
11 form of the tendency for generation suppliers’ offers to move toward their marginal costs
12 and a more efficient dispatch of generators, all transmission customers receive these
13 benefits (i.e., cannot be excluded from receipt of these benefits). The FERC Staff reasons
14 that because the transmission grid provides certain benefits, and all consumers will
15 receive those benefits (because the benefits are public goods), then all transmission grid
16 participants should be required to pay the same, system-wide, postage stamp transmission
17 access rate.
18

19 Q. DO YOU UNDERSTAND THE FERC STAFF’S ARGUMENT FOR A SINGLE
20 POSTAGE STAMP RATE TO BE AN EQUITY ARGUMENT?

21 A. Yes. As discussed in more detail below, this rate proposal will not enhance market
22 efficiency, nor is the postage stamp rate proposal required because the public goods-type
23 concept is consistent with the “cost causation” argument, i.e., the allocation of costs to
24 the services that cause the costs to be incurred. Rather, I interpret Staff’s position to be
25 that all customers receive the public goods benefits (due to the non-exclusion principle),

1 and therefore they all should pay the same rate, i.e., the single postage stamp rate
2 promotes equity among transmission customers. I believe that the underpinning of
3 Staff's argument is the view that all transmission customers receive roughly equal public
4 good benefits – hence each customer should pay the same transmission access charge
5 rate.

6
7 Q. DO YOU AGREE WITH THE FERC STAFF'S IMPLICIT ASSUMPTION THAT ALL
8 TRANSMISSION CUSTOMERS IN PJM ENJOY THESE PUBLIC GOOD BENEFITS
9 EQUALLY?

10 A. No. I do not agree. As discussed in more detail below, these benefits can differ
11 greatly among transmission customers, depending on location, in ways that are difficult
12 to measure. Consequently, not only is the implicit assumption underpinning Staff's
13 analysis incorrect, there is no basis for believing the single postage stamp rate will
14 improve equity. It could have the unintended effect of creating inequities among
15 customers in the different PJM zones because the various zones would pay the same rate
16 for transmission but would receive very different benefits (per MW of load).

17
18 Q. LET'S INVESTIGATE THE FERC STAFF'S TWO ENUMERATED "PUBLIC
19 GOODS" BENEFITS, BEGINNING WITH RELIABILITY. PLEASE EXPLAIN HOW
20 OPERATING TRANSMISSION ON A REGIONAL BASIS CAN REDUCE THE
21 COST OF PROVIDING POWER SUPPLY RELIABILITY.

22 A. Upon joining a regional transmission system and interconnecting its transmission
23 facilities with the transmission systems of others, the previously separate utilities may
24 achieve a required level of reliability with a reduced amount of generation capacity,
25 including generation reserves. For example, if a one-day-in-ten-years reliability standard
26 can be achieved for the interconnected utilities through reserve margins of 15 percent,

1 instead of a 25 percent reserve margin on a stand-alone basis, a cost savings results.

2 Thus, anyone participating in the broader, interconnected, generation market realizes a
3 cost savings accommodated by the interconnected transmission facilities.
4

5 Q. DOES THE EXISTENCE OF A POSSIBLE REDUCTION IN THE COST OF
6 RELIABILITY SUPPORT A CONCLUSION THAT TRANSMISSION RATES
7 SHOULD BE EQUALIZED ACROSS TRANSMISSION GRID MEMBER
8 COMPANIES?

9 A. No. First, it should be recognized that the cost savings benefits of lower reserve
10 margins have been known for years on the PJM system. PJM has not advocated or
11 adopted a single, system-wide, postage stamp transmission access rate during the entire
12 history as those savings were developed. One could argue that as PJM grows, there is
13 more opportunity for reserve margin benefits. However, there is no expectation that the
14 benefits of lower cost reliability are equally beneficial to all participating transmission
15 grid members. For example, a small utility with a single generator may achieve
16 significantly greater reserve margin cost reductions (from a fully integrated grid and a
17 reserve sharing agreement) than a larger utility. Generally, reserve margin cost
18 reductions could vary depending on utility generation mix, congestion, power flows,
19 geography, etc. Thus, there is no reason to believe the interconnection would benefit
20 each utility equally. It does not follow that transmission access rates should be equalized
21 among participating utilities simply because there may be *some* reliability cost saving
22 benefits available to participating, interconnected utilities.

23 Moreover, the FERC Staff has said nothing regarding the size of the noted
24 reliability benefits it mentions. While the existing transmission facilities subject to cost
25 recovery through transmission access charges may accommodate some inter-utility power

1 flows, an important function provided by existing transmission facilities is to provide
2 local reliability and transmission within a given zone. In short, mere acknowledgement
3 of some unquantified amount of reliability-related cost-savings benefits attendant to the
4 potential movement of bulk power supplies across interconnected transmission zones
5 does not by itself support a conclusion for equal transmission grid rates. It simply does
6 not follow that acknowledgement of *some* cost savings from lower reserve margins
7 requires an equalization of transmission access prices across transmission grid member
8 companies.
9

10 Q. THE FERC STAFF'S SECOND "PUBLIC GOODS" BENEFIT FROM WHICH
11 MARKET PARTICIPANTS CANNOT BE EXCLUDED RELATES TO
12 EFFICIENCIES AVAILABLE WHEN THE COMPETITIVE MARKET IS RELIED
13 UPON TO ORGANIZE PRODUCTION. IS THE THEORY THAT COMPETITION
14 INDUCES GENERATION SUPPLIERS TO SUBMIT OFFERS CLOSER TO THEIR
15 MARGINAL COSTS A BASIS FOR EQUALIZING TRANSMISSION ACCESS
16 PRICES ACROSS ALL COMPANIES PARTICIPATING IN A TRANSMISSION
17 POOL?

18 A. No. Enhanced competition from an interconnected regional grid generally does
19 benefit customers. This is so because most supply sources located throughout the PJM
20 region now tend to compete with each other, which in turn, tends to move offer prices
21 toward their marginal costs.² Thus, a power consumer that procures its power
22 requirements more locally may benefit, or may not be excluded, from the fact that local
23 power suppliers face some competition from more distant power suppliers having access
24 to the regional transmission grid. However, a tendency for market prices to move toward

² Not all generation is offered for sale in the competitive marketplace. This matter and its impact on prescriptions to equalize transmission access prices are discussed later in my testimony.

1 marginal cost does not lead to a conclusion that transmission rates should be equalized
2 across all participating transmission owners.

3 Power supply prices in different geographical areas (i.e., different PJM zones) are
4 not identical due in part to the presence of transmission congestion, which can limit the
5 scope of competition. Congestion will drive a wedge in the competitive prices of power
6 supplies above and below the area of congestion. Under these circumstances, power
7 suppliers downstream of the congested area will sell their power at a premium compared
8 to power suppliers located upstream of the congested area. In this case, the transmission
9 grid facilities are not sufficient to provide equalized power supply prices across the grid,
10 and power consumers upstream of the congested areas will continue to enjoy the benefits
11 of lower cost power. Moreover, the transmission constraints can limit the effectiveness
12 of competition within the constrained areas. Thus, the nexus between the opportunity to
13 procure power in different geographical areas at competitive prices and the payment of
14 equal transmission access rates simply has not been explained by the FERC Staff
15 witnesses.

16 The tendency of power supply offers to converge to a single competitive price
17 depends on transmission capabilities and power flows. Power supply price convergence
18 will be limited by the presence of congestion. Existing transmission facilities, in general,
19 were not specifically designed to transport power between and among utilities (i.e., the
20 PJM zones), so constraints on the existing transmission system continue to persist. The
21 ability of some transmission owners to export a portion of their transmission costs to
22 customers in other zones, a result under the FERC Staff's proposed single, system-wide,
23 postage stamp pricing prescription, does not change the existing facilities' transfer
24 capability.
25

1 The existing transmission systems were not designed to transport power from all
2 sources having access to the PJM regional transmission grid to all power sinks served by
3 the grid in any integrated fashion. Rather, the power transfer capability between and
4 among participating transmission owners across the existing transmission grid is the
5 result of historic planning decisions. The interconnection of various utility transmission
6 systems, built largely to meet native load requirements over more than a century of
7 operation, is unlikely to provide equal competitive benefits to all customers located in the
8 PJM region. Again, the nexus between an expected tendency for supply prices to move
9 *toward* fully competitive prices, and the reasonableness of the FERC Staff's prescription
10 to therefore equalize transmission grid service prices is not supported by a simple
11 statement of an expected tendency for offer prices to move toward marginal costs.
12

13 Q. A SECOND ASPECT OF EXPECTED COMPETITIVE MARKET EFFICIENCIES
14 DISCUSSED UNDER THE FERC STAFF'S "PUBLIC GOODS" BENEFIT CONCEPT
15 IS THAT A MORE EFFICIENT DISPATCH OF GENERATORS RESULTS WHEN
16 UTILITIES INTERCONNECT THEIR EXISTING TRANSMISSION SYSTEMS AND
17 OFFER THEIR GENERATION SUPPLIES CONSISTENT WITH THE
18 COMPETITIVE MODEL. DOES THIS BENEFIT SUPPORT STAFF'S
19 PRESCRIPTION FOR EQUALIZING REGIONAL TRANSMISSION FACILITIES
20 RATES?

21 A. No. The PJM participants have long operated under procedures that would call for
22 the dispatch of a lower cost incremental power source when the transfer capability of the
23 existing transmission system could accommodate that production. While the mechanism
24 for achieving efficient dispatch of generators may be different under market operations
25 than under previous operations, the FERC Staff witnesses have not shown that current

1 dispatch results are significantly, or indeed, any more efficient than in the recent and
2 extended PJM history. Once again, the FERC Staff has not explained why, even if some
3 additional dispatch related benefits are evident across the PJM system, that supports its
4 recommendation to equalize transmission rates across all PJM transmission owners.
5

6 Q. YOU DISCUSSED IN YOUR ANSWERING TESTIMONY THAT TRANSMISSION
7 AND GENERATION COSTS ARE SUBSTITUTES AND TO NOW AFFORD A HIGH
8 TRANSMISSION COST COMPANY THE ABILITY TO EXPORT A PORTION OF
9 ITS TRANSMISSION COSTS THROUGH A POSTAGE STAMP RATE DESIGN
10 WOULD BE UNREASONABLE. HAS THE FERC STAFF ADDRESSED THIS
11 ISSUE?

12 A. No, the FERC Staff has not addressed the unreasonable result of their single,
13 system-wide, postage stamp rate proposal, which would allow some utilities to export a
14 portion of their historically incurred higher transmission costs. For example, when a
15 currently existing generator was being planned, that generator could have been located
16 near a load center. In that case, related transmission costs would be minimized, but
17 energy, in the form of fuel (say, coal), would have to be transported to the generator.
18 This fuel transportation cost (and perhaps, other generation design requirements) would
19 increase the cost of generation. On the other hand, locating the generator at the mine
20 mouth would save the cost of transporting the coal to the load center, but would increase
21 the costs of transporting energy in the form of electricity to the load center, i.e., increase
22 transmission costs. These two possibilities illustrate the potential trade-off between
23 generation and transmission costs. If the remotely located, low generation cost/high
24 transmission cost mine mouth plant were the more economical project, the plant would be

1 located at the mine mouth, and the subject utility's customers would bear the higher
2 transmission costs, but enjoy the lower generation costs as a trade-off.

3 It is important to note that not all generation that is connected to the PJM
4 transmission grid is offered for sale in the competitive wholesale market. During a
5 transition to competition, state regulators may choose to retain the benefits of low cost
6 generation for local customers by approving the sale of a utility's generation conditioned
7 on a buy back of power at capped rates; requiring a utility to provide Provider of Last
8 Resort service at other than ongoing market prices. A state may also choose to maintain
9 its, historical, vertically integrated utility operations. While the Commission may order
10 non-discriminatory open-access to electric transmission facilities, the Commission cannot
11 assure that all generation sources in the PJM region will participate in the wholesale
12 market. The FERC Staff has failed to explain why it is reasonable to equalize regional
13 transmission service rates absent equal access to all low cost generation. A patently
14 unfair result under the FERC Staff's pricing proposal would occur for those utilities,
15 which retain preferential access to their low cost generation, but would, under the Staff
16 proposal, be able to export a portion of the high transmission costs that made that low-
17 cost of generation possible.

18
19 Q. MOVING BEYOND THE FERC STAFF'S STATED BASIS FOR ITS PROPOSALS,
20 DOES THE FERC STAFF CLAIM THAT ITS PROPOSED SINGLE, SYSTEM-WIDE,
21 POSTAGE STAMP RATE DESIGN FOR THE RECOVERY OF EXISTING
22 TRANSMISSION FACILITIES COSTS IS SUPERIOR TO THE EXISTING PJM
23 RATE DESIGN IN FOSTERING AN EXPANDED POWER SUPPLY MARKET?

1 A. No, the FERC staff makes no claim that its proposed rate design better promotes
2 the development of a grid-wide electric power supply market. They have not made that
3 claim because it does not do so.
4

5 Q. IS THE FERC STAFF'S PROPOSED RATE DESIGN SUPERIOR TO THE EXISTING
6 PJM RATE DESIGN IN PROMOTING A GRID-WIDE ELECTRIC POWER SUPPLY
7 MARKET?

8 A. No. The current zonal PJM transmission access charges for network services do
9 not vary with the power source acquired. In that regard, the current zonal PJM rates that
10 the customers see are competitively neutral with regard to power supply source. The
11 customer pays exactly the same access charge for network transmission service
12 regardless of the source of supply in PJM. Thus, the current PJM transmission rate
13 design fosters the development of a grid-wide power supply market. The FERC Staff's
14 postage stamp rate design proposal is not superior to the existing PJM transmission rate
15 design in fostering a grid-wide power supply market.
16

17 Q. DOES THE FERC STAFF PROPOSED RATE DESIGN ADDRESS ANY CROSS-
18 SUBSIDY PROBLEM?

19 A. No. I am not aware of any party to these proceedings that alleges a cross-subsidy
20 problem. Typically, a recommendation to reallocate costs is based on a contention that
21 the current allocation is associated with cross-subsidies in current rates that should be
22 remedied by a change in the allocation of costs. Cross-subsidies have not been
23 quantified, nor indeed alleged, in these proceedings.
24

25 Q. PLEASE EXPLAIN HOW THE FERC STAFF'S TRANSMISSION RATE DESIGN
26 PROPOSAL FOR THE RECOVERY OF THE COSTS OF EXISTING FACILITIES

1 CREATES ADVERSE INCENTIVES FOR EXISTING AND POTENTIAL PJM
2 PARTICIPANTS.

3 A. The FERC Staff Exhibit S-4 shows the impact of the Staff rate design proposal on
4 various pool members. Under the Staff proposal for example, using 2005 load ratio
5 shares, continued membership in PJM by Dominion Virginia Power (“DVP”) would
6 result in \$113.5 million, or a 73 percent, annual recurring transmission cost increase.

7 Clearly, this potential cost increase creates incentives for transmission owners to
8 consider the adverse incentives for participation in PJM. Also, under the FERC Staff’s
9 proposed postage stamp rate design, individual transmission owners would face cost
10 uncertainty if neighboring or more remote transmission grid members made cost changes
11 related to their existing transmission capacities. In general, cost uncertainty and the
12 possibility of transmission owners experiencing cost increases under the FERC Staff’s
13 proposal, could create adverse incentives for participation in the PJM transmission pool.

14 Thus, the evidence in this proceeding does not support a finding or conclusion
15 that the present PJM transmission access charges are or have become, unjust and
16 unreasonable. Nor does the record establish that the proposed single, system-wide,
17 postage stamp rate design applied to existing transmission facilities costs is more efficient
18 or more equitable, i.e., more reasonable than the existing PJM rate design.

19
20 Q. HAS THE FERC STAFF’S TESTIMONY CONVINCED YOU THAT A CHANGE IN
21 RATE DESIGN IS NEEDED OR WOULD BE BENEFICIAL AT THIS TIME?

22 A. No.
23

1 Q. PLEASE SUMMARIZE YOUR CROSS ANSWERING TESTIMONY.

2 A. The FERC Staff proposal for a single, system-wide, postage stamp transmission
3 access rate design for the recovery of the costs of existing transmission facilities would
4 significantly reallocate transmission cost recoveries among participating transmission
5 owners; does not produce a more efficient system of transmission access charges; and
6 does not necessarily produce more equitable existing transmission facilities cost recovery
7 results. In fact, the FERC Staff transmission access rate design proposals may be less
8 equitable than the existing PJM transmission access rates. There is no clear evidence that
9 it enhances equity across zones as claimed. The adverse cost shifting that certain existing
10 pool members would experience under the regional postage stamp rate design proposals
11 could create incentives for certain existing pool members to exit the regional transmission
12 organization or for transmission owners that are considering joining PJM not to do so.

13

14 Q. DOES THIS COMPLETE YOUR CROSS ANSWERING TESTIMONY AT THIS
15 TIME?

16 A. Yes.

17

18

19

20

21

22

23

