January 7, 2005

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

Re: Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, L.L.C. Docket No. ER05-6-001

Midwest Independent Transmission System Operator, Inc., *et al.* Docket No. EL02-111-020

Ameren Services Company, *et al.*
Docket No. EL03-212-017

Midwest Independent Transmission System Operator, Inc., *et al.* Docket No. EL04-135-003
[Not Consolidated]

Dear Secretary Salas:

Please find for e-filing Joint Consumer Advocates' Answer to Allegheny Power's Motion to Implement a Sub-Zone SECA Charge, in the above-referenced proceedings. A copy has been served on each person on the designated official service list.

Very truly yours,

/s/ filed electronically

Denise C. Goulet
Senior Assistant Consumer Advocate

Enclosure
cc: All parties of record

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL REGULATORY COMMISSION

Midwest Independent System Transmission System Operator, Inc.	:	Docket No. ER05-6-001
Midwest Independent System Transmission System Operator, Inc., PJM Interconnection, L.L.C., *et al.*	:	Docket No. EL04-135-003
Midwest Independent System Transmission System Operator, Inc., PJM Interconnection, L.L.C., *et al.*	:	Docket No. EL02-111-020 *et al.*
Ameren Services Company, *et al.*	:	Docket No. EL03-212-017 *et al.*
		(Not Consolidated)

ANSWER OF THE JOINT CONSUMER ADVOCATES
TO ALLEGHENY POWER'S MOTION TO IMPLEMENT
A SUB-ZONE SECA CHARGE

Pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213, the Pennsylvania Office of Consumer Advocate ("Pa. OCA"), the Maryland Office of People's Counsel ("MPC"), and the Office of the People's Counsel for the District of Columbia ("DC OPC"), herein designated as Joint Consumer Advocates, submit this Answer to Allegheny Power's December 7, 2004 Motion to Implement Sub-Zone SECA Charges and Resulting Reallocations. Allegheny Power, through its Motion, seeks to shift 80% of its SECA obligation to other PJM members. Joint Consumer Advocates oppose Allegheny's efforts because the methodology Allegheny proposes is flawed, unreasonable and bears no nexus to the

methodology that underlies the SECA charges to PJM. Joint Consumer Advocates respectfully request that the Commission reject Allegheny's Motion.

On November 24, 2004, several entities, including the PJM Interconnection, L.L.C., the PJM Transmission Owners, the Midwest ISO, the Midwest ISO Transmission Owners, and several New PJM Companies, including American Electric Power Service Corporation, Commonwealth Edison Company and Dayton Power & Light Company, filed revised tariffs in compliance with the Commission's November 18, 2004 Order in the above-captioned dockets. These filings seek to eliminate Regional Through and Out Rates between the PJM and the Midwest ISO Regional Transmission Organizations and to implement Seams Elimination Cost Adjustment ("SECA") charges during a transition period that is set to expire on March 31, 2006.

The PJM TOs filed to recover a uniform SECA charge across the PJM Classic footprint, with one exception. The SECA charge for the first year of the transition period is based on import transactions during the calendar year 2002. The PJM Classic TOs adjusted the SECA to be charged in the Allegheny Power service territory to reflect the fact that Allegheny Power only joined PJM on April 1, 2002, thus recognizing that Allegheny was not a member of PJM during the first quarter of the "test year." The adjustment results in a minor discrepancy in the $33.98 per MW month rate for the Allegheny service territory and the $37.39 per MW month rate for the service territories of the other PJM Classic TOs,.

Allegheny's proposal for a sub-zone SECA, on the other hand, would significantly lower the SECA charge for customers in their service territory from $33.98 per MW month to $6.59 per MW month. The impact on the remaining PJM Classic TO service territories is to raise the SECA charge for their customers from $37.39 per MW month to $41.62 per MW month. The magnitude of the discrepancy in the SECA charges proposed by Allegheny totals $35 as

compared with the magnitude of the discrepancy in rates of $3.40 proposed by the PJM Classic TOs. Considering the reality that the PJM energy market is economically dispatched to serve all customers throughout PJM, the magnitude of the discrepancy in the sub-zonal SECA charges proposed by Allegheny is unreasonable.

Allegheny, by its Motion, seeks to adopt a sub-zonal SECA charge based on a significantly different methodology from that proposed by the PJM TOs. Allegheny recommends a methodology that would compare total generating capacity within Allegheny's service territory to total load within Allegheny's service territory at any point in time and then determine the extent to which that capacity was deficient to serve load such that imported power was necessary. Allegheny would calculate its responsibility for SECA charges based on a comparison of its need for imports with the total imports into PJM during the 2002 and 2003 test years.

Joint Consumer Advocates submit that Allegheny's methodology is seriously flawed. All energy transactions into and out of PJM occur through PJM's energy market. Each load serving entity in PJM, including Allegheny, schedules its purchases from that energy market. Any generation sold from units located in Allegheny's service territory is sold into PJM's energy market. PJM undertakes economic dispatch of all units within its footprint. Thus, units in Allegheny's service territory may actually be supplying load elsewhere in PJM, while units external to PJM's footprint may in fact be supplying Allegheny's load. It is not possible to ascertain with any certainty who is responsible for imports into the PJM Classic footprint.

Allegheny's proposed methodology of matching internal capacity to internal load within its service territory thus bears no nexus to how PJM dispatches electricity for all load in PJM, or how imports into PJM's markets occur. PJM stakeholders considered and rejected this

methodology because of this flaw. The methodology bears no relation to reality in PJM. Because of the difficulty of tying any import to any particular market participant, the only rational and reasonable method proposed in this record for allocating SECA charges within the PJM Classic region is that supported by the PJM Classic TOs of spreading the costs uniformly across the PJM Classic footprint. Joint Consumer Advocates respectfully request that the Commission reject Allegheny Power's Motion.

WHEREFORE, Joint Consumer Advocates respectfully request that the Commission reject Allegheny Power's Motion to Implement Sub-zone SECA Charges and Resulting Reallocations.

Respectfully submitted,

/s/ filed electronically

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DATE: January 7, 2005
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CERTIFICATE OF SERVICE

RE: Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, L.L.C. Docket No. ER05-6-001
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[Not Consolidated]

I hereby certify that I have this date served the foregoing document upon each person designated on the official service list compiled by the Secretary in the above-referenced proceeding, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure.

Dated at Harrisburg, PA this 7th day of January, 2005.

Respectfully submitted,

/s/ filed electronically

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