

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION**

APPLICATION OF

PATH ALLEGHENY VIRGINIA
TRANSMISSION CORPORATION

CASE NO. PUE-2009-00043

For certificates of public convenience
and necessity to construct facilities:
765 kV Transmission Line through
Loudoun, Frederick, and Clarke Counties

DIRECT TESTIMONY

HYDE MERRILL

On Behalf of the Sierra Club

October 23, 2009

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OF
HYDE M. MERRILL
ON BEHALF OF
THE SIERRA CLUB
BEFORE THE
STATE CORPORATION COMMISSION OF VIRGINIA
CASE NO. PUE-2009-00043

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I. INTRODUCTION

Q: PLEASE STATE YOUR NAME AND DESCRIBE YOUR PROFESSIONAL TRAINING AND BACKGROUND.

A: My name is Hyde M. Merrill. I have a doctorate in electrical engineering from MIT. I have been an independent consulting engineer since 1998. For the preceding 18 years, I worked as a consultant at Power Technologies, Inc., doing power system planning studies and developing tools for power system planning and operation. I worked for American Electric Power Service Corporation for seven years after graduating from college. I have been an adjunct professor at Rensselaer Polytechnic Institute and a visiting assistant professor at MIT. I was

1 elected a Fellow of the Institute of Electrical and Electronics Engineers (IEEE) for “contributions
2 to decision analysis considering conflicting objectives and risk in electric power systems.” I
3 have published more than 80 technical papers and book chapters, including roughly two dozen
4 on strategic planning in electric power. My curriculum vitae is Exhibit HMM-1.

5 **Q: HAVE YOU PREVIOUSLY PROVIDED TESTIMONY AS AN EXPERT**
6 **WITNESS OR PROVIDED EXPERT CONSULTING SERVICES?**

7 A: Yes, I have testified before the Michigan Public Service Commission, the Virginia State
8 Corporation Commission, the US Department of Energy, and the Federal Energy Regulatory
9 Commission (FERC). I have advised government agencies, including the World Bank, the Inter-
10 American Development Bank, the US Congress Office of Technology Assessment, the New
11 York State Energy R&D Authority, and the public utilities commissions of New York, Quebec,
12 Panama, Venezuela, Tasmania, and Peru. I have also advised utilities, R&D organizations, and
13 others on power system planning and operation. I have worked in nearly 40 countries.

14 **Q. WHAT DO YOU PROPOSE TO ADDRESS IN YOUR TESTIMONY, DR.**
15 **MERRILL?**

16 A: Counsel for the Sierra Club asked me to evaluate the need for the proposed PATH
17 project. My evaluation is based principally on reports, data, studies, testimony, and other
18 presentations by PJM (PJM Interconnection) and the sponsors of the proposed project.

19 **Q: DO YOU BELIEVE THERE IS A NEED FOR THE PATH LINE BASED ON**
20 **YOUR REVIEW?**

21 A: No. The Commission should deny approval and certification of the PATH project. PJM
22 has not convincingly demonstrated the need for this project.

1 **Q: CAN YOU SUMMARIZE YOUR REASONS FOR REACHING THIS**
2 **CONCLUSION?**

3 A: PJM's planning studies do not justify the PATH line. The vast majority of alleged
4 reliability issues that are presented in support of the PATH line are not based on any modeling or
5 contingency analyses as NERC requires. None of the alleged violations is based on reasonable
6 assumptions regarding the need for power transfer from western to eastern PJM — *i.e.*
7 reasonable Capacity Emergency Transfer Objective ("CETO") values. And even if the alleged
8 violations were based on credible analysis — which they are not — none of them creates a
9 present need to build the proposed PATH line. Rejecting PATH now will allow time to develop
10 far better alternatives for the evolution of the power system within PJM's boundaries.

11 In contrast, approving this line will lead to increasing reliance by the East Coast on
12 remote coal-fired power plants with continuing or increasing transmission congestion,
13 transmission losses, and a *greater* risk of cascading blackouts.

14 **Q: PLEASE SUMMARIZE THE ISSUES YOU WILL DISCUSS IN YOUR**
15 **TESTIMONY.**

16 A: First, I will explain why the alleged voltage issues identified by PJM in Exhibit PFM-3 to
17 Mr. McGlynn's testimony do not establish a need for the PATH line. PJM's claimed
18 vulnerability to widespread voltage collapse was identified for the first time in April 2009, long
19 after the line had been approved based on alleged 500-kV thermal violations. Now, PJM
20 maintains that PATH is required to prevent alleged voltage collapse. However, PJM has
21 admitted that installing 2,000 Mvars of capacitors would eliminate these voltage issues. And
22 Company witnesses have admitted that the PATH project itself entails installation of 1,750
23 Mvars worth of new capacitors. In other words, PJM has identified a need to install new

1 capacitors with or without the PATH line in service. So why not install PJM's 2,000 Mvars of
2 capacitors, costing \$40 million, instead of the planned-for 1,750 Mvar *and* the \$1.8 billion PATH
3 project?

4 In addition, it is unclear that any capacitors would be needed in the absence of the PATH
5 line. The alleged voltage issues identified in the April 2009 Study are apparently due to
6 undocumented and unjustified changes from the 2008 RTEP¹ planning assumptions, at least
7 some of which appear erroneous. Correcting these changes should resolve most or all of the
8 claimed voltage violations. Finally, using reasonable "CETO" values and accounting for
9 demand side management ("DSM") resources that have cleared the latest RPM auction will
10 further help to resolve or eliminate the alleged voltage issues.

11 In any case, voltage issues on the scale of the alleged violations presented by PJM can
12 and should be resolved by installing new capacitors, not by building a new 765-kv power line.
13 PJM claims that a conventional remedy, compensation with capacitors, is impractical due to the
14 "sheer number" and cost of about 2,000 Mvar of capacitors that PJM says would solve the
15 alleged voltage problems. PJM also claims that capacitive compensation will make the system
16 harder to operate. These objections are invalid. Again, PJM proposes to install 1,750 Mvar of
17 capacitors as part of the PATH project. Building the PATH line will not avoid installing the
18 capacitors that PJM claims are an "infeasible" alternative.

19 Second, I will address the alleged thermal violations on lower-voltage facilities that are
20 presented in Exhibit PFM-2 to Mr. McGlynn's testimony. The six 230-kV and 345-kV thermal
21 violations alleged to occur in 2014, and identified for the first time in the April 2009 study, are

¹ The PJM 2008 RTEP (regional transmission expansion plan) is described in a report dated February 27, 2009. The year-long process of developing the plan included creation of data bases and their use in technical studies. I will use "RTEP" to refer to the process, the plan, and the data bases, clarifying to which of these I refer as needed.

1 minor. They can be resolved at relatively low cost with relatively little environmental impact.
2 By themselves, they do not justify a 765-kV line.

3 Third, I will address the speculative 500-kV issues that are alleged to occur beginning in
4 2015 and 2016. The 500-kV thermal violations that PJM has used to justify the PATH line since
5 it was approved in 2007 continue to recede into the future. In the April 2009 study, these alleged
6 violations are not even justified by a “NERC criteria” analyses. They are based wholly on
7 *extrapolated data*, with no contingency or deliverability analyses performed for any years past
8 2014.

9 I emphasize that PJM’s reported thermal violations beyond the fifth year (2013 in the
10 2008 RTEP report and 2014 in the April 2009 study) are not based on reliability analyses. A
11 \$1.8 billion dollar line should be supported by actual reliability analyses, not extrapolated data.

12 In addition to the total absence of reliability analyses after 2014, the April 2009 and 2008
13 RTEP studies cannot demonstrate a need for the PATH project because they ignore key
14 generation and DSM resources in eastern PJM. For example, the RTEP studies failed to include
15 a large power plant with a completed ISA (interconnected service agreement). This is a violation
16 of PJM’s published planning standards, which require such plants to be modeled. This plant will
17 push claimed 500-kV thermal violations beginning in 2016 further into the future. In addition,
18 recognizing the demand-management resources called forth in the 2009 RPM auction will push
19 claimed violations even further into the future.

20 Fundamentally, there is no longer any basis to suggest that PATH is needed in light of
21 alleged imminent reliability violations. Given the significant changes in PJM’s analysis between
22 2007 and 2009, it is unreasonable not to consider far more modest alternatives to building a new
23 765-kV power line. Yet, despite these significant changes, *PJM has not considered any*

1 *alternatives since 2007*² and has never considered any of the potential fixes I identify in my
2 testimony. This is not only bad transmission planning, but as Mr. Loehr's testimony points out,
3 it is a risky strategy that will decrease reliability on the overall system by making eastern PJM
4 more dependent on power from distant generators in western PJM.

5 ***II. Alleged Voltage Issues***

6 Q: PLEASE EXPLAIN WHAT A VOLTAGE PROBLEM IS.

7 A: With increased power transfers across a grid, the system's need for so-called "reactive
8 power" may increase. Two things may happen. First, voltages may become lower than technical
9 standards allow. Second, in extreme conditions, analogous to a stalled airplane wing, a luffed
10 sail, or a stalled car engine, the system may become unstable. A local or cascading blackout may
11 result.

12 Every year PJM identifies and fixes potential future voltage problems. Generally this is
13 done first by providing reactive power by installing capacitors on the distribution system. This
14 maintains a correct power factor and keeps voltage up. When necessary, capacitors can be
15 installed on the EHV system.

16 Q: IS PJM ALLEGING THAT VOLTAGE ISSUES JUSTIFY THE NEED FOR PATH

17 A: Yes. PJM discovered alleged widespread voltage problems in the April 2009 study. PJM
18 claims that these alleged issues start occurring in 2014. However, they were not observed in
19 earlier RTEP studies, including the 2008 RTEP study.

20 Q: IN SUMMARY, WHAT DO YOU THINK CAUSED THESE VIOLATIONS TO
21 APPEAR FOR THE FIRST TIME IN THE APRIL 2009 STUDY?

² The sponsors have considered modest variations in line routing. We understand that PJM is thinking of building PATH as a DC instead of an AC line. These are, for the purpose of this proceeding, technical variations, not fundamentally different alternatives.

1 A: Based on my review, I have concluded that the sudden appearance of these alleged
2 problems is due to changed assumptions, some of which may not reflect changed circumstances
3 in the real world. Specifically, changes in the technical assumptions after the 2008 RTEP study
4 appear to have caused the claimed voltage problems. Some of these changes were undocumented
5 and may have been made in error. Correcting these changes would reduce or eliminate alleged
6 voltage issues. Reducing the unreasonably high CETO objective and accounting for DSM
7 resources would also help to resolve these alleged issues..

8 Q: IF THESE ALLEGED VOLTAGE ISSUES WERE GENUINE, WOULD PATH BE
9 NEEDED TO RESOLVE THEM? PLEASE SUMMARIZE YOUR OPINION.

10 A: No. PJM claims the alleged problems cannot be fixed with capacitors, saying that about
11 2,000 Mvar would be required. PJM claims that the standard capacitor solution to the alleged
12 problems is infeasible because of the amount and cost of the capacitors required. PJM also
13 claims that relying on capacitors will make the power system too hard to operate.

14 Based on PJM's own data and testimony, these claims are not true. In fact, PJM plans to
15 install almost as many capacitors as part of the PATH line as they say would be needed to
16 resolve the claimed voltage problems without building the line.

17 Q: WERE THE CLAIMED WIDESPREAD VOLTAGE PROBLEMS FOUND IN THE
18 2008 RTEP STUDIES?

19 A: Not according to Mr. McGlynn's testimony or the 2008 RTEP report. PJM confirmed in
20 discovery (PATHVA-00023639) that they were seen for the first time in the April 2009 study.
21 Mr. McGlynn's Exhibit PFM-3 identifies 24 contingencies over a wide area, any one of which
22 could cause voltage violations in 2014, according to PJM.

1 Q: HAS PJM EVER EXPLAINED WHY THIS ALLEGED PROBLEM SUDDENLY
2 AROSE IN 2009?

3 A: No. Mr. McGlynn has summarized some of the changes between the 2008 RTEP and
4 April 2009 assumptions. But PJM has given no explanation for what caused the sudden
5 appearance of these “numerous, widespread, and severe” events or of other surprising changes
6 from one study to another. (PATHVA-00023640).

7 Q: IS THE CETO MODELED BY PJM RELATED TO THE SUPPOSED VOLTAGE
8 PROBLEMS?

9 A: Yes. The CETO (power transfer objective) is closely linked to the supposed voltage
10 problems. The results presented in Mr. McGlynn’s Exhibit PFM-3 depend strongly on how
11 much power is being transferred from the West to the Mid-Atlantic Load Dispatch Area (LDA).
12 In PJM’s studies, these transfers are driven by the chosen CETO value. Mr. Loehr has serious
13 doubts about the appropriateness of the CETO targets. I share these concerns – eastern PJM is
14 over-dependent on remote generation.

15 PFM-3 shows that if transfers are reduced, the supposed voltage problems go away. PJM
16 recently updated its 2014 CETO for the Mid-Atlantic LDA, reducing it to 7,720 MW. (16 Oct.
17 2009, PATHVA 00027899) This will make the last 8 contingencies listed on PFM-3 irrelevant,
18 reducing the number of alleged voltage collapse contingencies by one-third.

19 In addition, Mr. Loehr observes that the tests used to diagnose the events in Exhibit PFM-
20 3 are screening tests and should be followed up by stability studies, which apparently were not
21 done. Mr. Loehr is one of the world’s most experienced and thoughtful experts on power system
22 reliability. His opinions in this area merit very serious attention.

23

1 Q: DID YOU TRY TO FIND OUT WHAT CAUSED THE SUDDEN ADVENT OF
2 THESE CLAIMED WIDESPREAD VOLTAGE PROBLEMS?

3 A: Yes. I compared the power flow base case used in the April 2009 voltage studies to the
4 one used in 2008 RTEP studies. According to Mr. McGlynn, the alleged voltage problems could
5 be avoided by providing about 2,000 MVAR of reactive (capacitive) power, so I looked for a
6 disappearance of about this magnitude between the 2008 RTEP and April 2009 cases. I found
7 three differences between the cases that added to about 2,000 MVAR. Table 1 summarizes three
8 major changes in reactive power between the 2008 RETP and April 2009 studies. The former
9 study modeled the year 2013, the latter the year 2014. These major changes were in the reactive
10 power supposedly used by customer load in eastern PJM, reactive power provided by large
11 capacitors in Maryland, and reactive power generated by transmission lines in the East.

12 Table 1. Reactive power changes between 2008 RTEP (2013) and April 2009 (2014) base cases.

	2008 RTEP Study year 2013	April 2009 Study year 2014	Difference
Reactive load in eastern PJM	-10,954 Mvar	-11,520 Mvar	-566 Mvar
Certain capacitors in Maryland	500 Mvar	0 M	-500 Mvar
Reactive power from circuits in East	9027 Mvar	8098 Mvar	-929 Mvar
		Total	-1,995 Mvar

13 Notes:

- 14 • Reactive demand (e.g., load) is treated as negative.
- 15 • Reactive supply (e.g., from capacitors and lines) is treated as positive.
- 16 • The eastern PJM area considered was PJM's MAAC, plus the PJM 500-kV system, less Rockland

17
18 Q: PLEASE EXPLAIN TABLE 1.

19 A: The first row shows that the reactive load seen by the transmission system increased by
20 566 MVAR between the 2008 RTEP and April 2009 cases.

21 Q: IS THIS A SIGNIFICANT INCREASE?

22 A: Yes, compared to the increase in real load (measured in megawatts, or MW) between the
23 two cases. In PJM, the reactive load averages about 26% of the real load. The real load

1 increased by 766 MW between the two cases, so the reactive load should have increased by
2 about 198 MVAR. The difference between the change in reactive load (566 MVAR) and what
3 the change should have been (about 198 MVAR) is about 368 MVAR.

4 Reactive power load should be compensated to maintain appropriate power factors
5 (relation between real and reactive power) at the distribution level, if possible. This
6 compensation is not visible in transmission planning studies, which focus on the higher-voltage
7 system. Most of the 566 MVAR of new uncompensated reactive demand appears to be an error.
8 PJM's load forecasting method, described extensively by PJM witnesses, seems to deal only with
9 real load and does not explain this increase in reactive demand.

10 Q: WHAT IS YOUR CONCLUSION REGARDING REACTIVE LOAD?

11 A: The 368 Mvar of reactive demand that appears to be an error contributes to the 2,000
12 MVAR of uncompensated load identified by Mr. McGlynn.

13 Q: PLEASE EXPLAIN THE SECOND ROW OF TABLE 1, DR. MERRILL.

14 A: Two 250-MVAR capacitors were in a 500/230-kV substation in Maryland in the 2008
15 RTEP but not in the April 2009 study.

16 Q: PLEASE EXPLAIN THE THIRD ROW OF TABLE 1, DR. MERRILL.

17 A: Transmission lines may either absorb or produce reactive power, depending on
18 conditions. The files produced by the software do not make comparisons easy. But it appears
19 that three New Jersey circuits that produced a total of about 735 MVAR in the solved 2008
20 RTEP case were not in the April 2009 case.

21 Q: WHAT DO YOU CONCLUDE?

22 A: Mr. McGlynn says that the sudden emergence of alleged widespread voltage problems in
23 2014 can be cured by about 2,000 MVAR of reactive power. I conclude that if he is right, the

1 alleged voltage collapse that is projected in 2014 can be attributed in part to growth of reactive
2 demand in the East, most of which appears to be erroneous. It can also be attributed to the
3 removal of two capacitors from the April 2009 case, which appears to be undocumented and
4 unnecessary given that it causes a problem. Finally, it appears that three transmission circuits
5 that were generating a significant amount of reactive power in the 2008 RTEP case have been
6 removed from the April 2009 case. There seem to be similar problems in the Dominion area and
7 possibly in Pennsylvania.

8 In the aggregate, these questionable changes from the 2008 RTEP and April 2009 studies
9 may explain all or most of Mr. McGlynn's 2,000 MVAR shortfall of reactive power.

10 Correcting the errors and using more reasonable values of CETO will reduce and may
11 eliminate the voltage problems claimed by Mr. McGlynn. If the problems are not eliminated, the
12 amount of reactive compensation (new capacitors) required will be reduced.

13 Q: IS THERE ANY EVIDENCE THAT CLAIMED VOLTAGE ISSUES WOULD
14 PERSIST BEYOND 2014?

15 A: No. Mr. McGlynn characterizes the voltage problems as "beginning in 2014." However,
16 PJM says that, "No P/V [voltage collapse or violation] analysis has been performed for the later
17 years of the planning horizon." (PATHVA-00027825) Mr. McGlynn may assume that the
18 supposed problems will continue to later years, but that is just an assumption.

19 Q. IF THE ALLEGED VOLTAGE PROBLEMS WERE REAL, COULD THEY BE
20 SOLVED WITH CAPACITORS?

21 A: Yes, though physical constraints in substations may affect where the capacitors are
22 located. On p. 52 of his testimony, Mr. McGlynn says that about 2,000 Mvar would be needed.

1 He was more precise under discovery, fixing the amount needed as approximately 2,050 Mvar
2 and identifying five substations where they should be installed. (PATHVA 00022948)

3 Q: WHY ISN'T PJM INSTALLING CAPACITORS INSTEAD OF BUILDING PATH?

4 A: Mr. McGlynn says that:

- 5 1. The "sheer number of reactive solutions required" makes this infeasible.
- 6 2. In addition, four 500 Mvar SVSs would, he says, cost \$200 million – "a very expensive
7 proposition."
- 8 3. Finally, he says that relying on capacitors to solve the voltage problems would make the
9 system more difficult to operate.

10 Q: DO YOU AGREE WITH MR. MCGLYNN?

11 A; No.

12 Q: WHY NOT?

13 A: The "sheer number" (2,000 MVAR) isn't unusually high.

14 PJM routinely uses capacitors to resolve issues of this alleged magnitude. For instance,
15 the 2006 RTEP report says, "Over 2,700 MVA of additional reactive power sources by way of
16 new capacitive reactive devices . . . are required to mitigate identified voltage criteria violations .
17 . . ." (p. 9) Page 12 refers to a later need for about 10,000 MVAR of these devices. No concern
18 is expressed about the impracticality of this "sheer number" of capacitors or about operational
19 difficulties they will cause.

20 Q: ARE CAPACITORS PART OF THE PATH PROJECT?

21 Yes. Approximately the same number of capacitors are needed, according to PJM, with
22 or without the PATH line. The supposed voltage problems can be solved with capacitors and
23 without the line, according to PJM. Or they can be solved with about the same number of

1 capacitors and with the line. So as far as the supposed voltage problems are concerned, the line
2 itself isn't the solution.

3 Q: HOW DO YOU KNOW? THIS DOESN'T SEEM TO BE IN THE RECORD.

4 A: I agree. It doesn't seem to be. Mr. Poff describes the engineering and design of the
5 PATH project. However, I cannot find in his testimony filed with the Virginia Commission any
6 mention of capacitors associated with the PATH project.

7 Q: HOW DO YOU KNOW THAT PATH INCLUDES CAPACITORS?

8 A: On pages 21 and 22 (of 24) of Mr. Poff's testimony to the Maryland Commission is a
9 paragraph listing the equipment to be installed in the Kemptown substation as part of the PATH
10 project. In a sentence toward the end of this paragraph appear the words, ". . . and two 125
11 MVAR/F288 MVAR capacitor banks."

12 In the last sentence of a similar paragraph on page 25 (of 26) of his testimony to the West
13 Virginia Commission, Mr. Poff says, ". . . and a 1,500 MVAR Static VAR System ("SVS"),
14 separated into 1,000 MVAR of static and 500 MVA of dynamic capacitive compensation . . ." at
15 the current midpoint of the line, Welton Spring.

16 Mr. McGlynn emphasizes strongly that the sheer number, the cost, and the effect on
17 operability of 2,000 Mvar of capacitors makes them "infeasible" for solving the supposed
18 voltage problems. He testifies for many pages of the need for the PATH line to solve his voltage
19 problems.

20 Then we see in the details of Mr. Poff's testimony, which was part of the information
21 provided to the Maryland Commission and to the West Virginia Commission, that the PATH line
22 will require 1,750 Mvar – just one medium-sized capacitor less than Mr. McGlynn's "infeasible"
23 2,000 Mvar.

1 None of this information was provided to the Virginia Commission.

2 I have found no discussion by witnesses supporting the PATH line about either
3 operational difficulties associated with the 1,750 Mvar of capacitors that PATH will require or
4 how these difficulties will be resolved.

5 Q: HAS PJM USED CAPACITORS BEFORE?

6 A: Yes, PJM has a long history of using capacitors to resolve voltage problems. It is a
7 standard solution.

8 Q: CAN YOU COMMENT ON THE COST OF A CAPCITOR SOLUTION?

9 A: Yes. Mr. McGlynn said that 2,000 Mvar of SVS's would cost \$200 million. An SVS
10 (often called SVC) is an expensive controllable or *dynamic* reactive system. The 2006 RTEP
11 report (27 February 2007, p. 155) estimates that dynamic devices will cost about \$100,000 per
12 Mvar, which agrees exactly with Mr. McGlynn's \$200 million estimate. Incidentally, \$100,000
13 seems high compared to the cost of recent PJM installations.

14 However, Mr. McGlynn says elsewhere that the roughly 2,000 Mvar of capacitors
15 required in lieu of the PATH line to resolve his alleged voltage problems are much-cheaper *static*
16 devices. (PATHVA-00022948) The 2006 RTEP report (27 February 2007, p. 155) estimates
17 that static devices (simple capacitors without expensive controls) will cost about \$20,000 per
18 Mvar. The total cost for 2,000 Mvar would be \$40 million.

19 This is insignificant compared to the cost of the PATH project.

20 This is one-fifth the cost that Mr. McGlynn estimates.

21 Incidentally, using the 2006 RTEP estimates quoted above, the 1,500 Mvar of static and
22 dynamic compensation that the PATH project plans to add at Welton Springs would cost \$70

1 million. The 250 Mvar PATH includes at Kemptown, if they were static, would add \$5 million.
2 The \$75 million total is almost twice the cost of the stand-alone 2,000 Mvar of capacitors.

3 ***III. ALLEGED LOWER VOLTAGE THERMAL ISSUES***

4 Q: WHAT ISSUES DO YOU ADDRESS IN THIS SECTION?

5 A: In this section I address only the alleged issues relating to the lower-voltage system (345-
6 kV and 230-kV).

7 Q: DOES PJM CLAIM THAT THESE ISSUES SUPPORT THE ALLEGED NEED FOR
8 THE PATH LINE?

9 A: Yes.

10 Q: WHERE ARE THESE ALLEGED THERMAL ISSUES IDENTIFIED?

11 A: The alleged thermal issues relating to lower voltage line are identified for the first time in
12 the April 2009 Retool Study, and they appear in the first six rows of Exhibit PFM-2 to Mr.
13 McGlynn's testimony. These are the only thermal violations that are alleged to appear in 2014
14 — the last year in which PJM performed contingency and other formal analyses to evaluate
15 reliability, as will be shown in Section IV below discussing alleged 500-kV thermal issues.

16 Q: IS PATH NEEDED TO SOLVE THESE ALLEGED RELIABILITY VIOLATIONS?

17 A: No. These alleged problems are associated with the lower-voltage system. PJM resolves
18 many such problems every year without building 765-kV lines. It is not reasonable to build a
19 765-kV line to resolve issues that can be addressed with routine fixes that are far less costly, far
20 less intrusive, and in some cases, more effective than the proposed PATH line. PATH is overkill
21 as a solution for four of these six purported issues. According to PJM, PATH is only a
22 temporary fix for the other two.

1 Q: CAN YOU DESCRIBE THE ALLEGED LOWER VOLTAGE VIOLATIONS IN
2 LINES 4 AND 6 OF EXHIBIT PJM-2 AND EXPLAIN HOW IT WOULD BE POSSIBLE TO
3 RESOLVE THEM?

4 A: Lines 4 and 6 of PFM-2 describe supposed overloads of 500/230-kV transformers. In
5 confronting this sort of problem, the first solutions to consider are uprating or replacing the
6 transformers. In a worst-case scenario in which a more aggressive solution is required, an
7 additional transformer could be installed at each of the two relevant substations.

8 Q: CAN YOU DESCRIBE THE ALLEGED LOW-VOLTAGE VIOLATIONS N LINES 1,
9 2, 3, AND 5 OF EXHIBIT PJM-2 AND EXPLAIN HOW IT WOULD BE POSSIBLE TO
10 RESOLVE THEM?

11 A: Lines 1 and 3 describe mirror-image effects of supposed outages of one of two parallel
12 230-kV lines. If either line has an outage, the other supposedly overloads. From my review of
13 documents provided in discovery, I estimate that these lines are about four miles long.

14 The Dickerson-Pleasant View 230-kV line in suburban Virginia (line 2) supposedly
15 overloads if another line goes out of service in a contingency. In line 5 the supposed
16 contingency overload is on a 345-kV AEP line in Ohio.

17 Whatever the respective limiting factors on these lines, there are alternative solutions to
18 PATH that should be considered to resolve supposed overloads, including replacing relatively
19 inexpensive items of equipment or fixing the clearance under a single span. More expensive
20 solutions could include reconductoring or building a new line.

21 PJM has not considered any alternative fixes for these issues, other than the PATH line.

22 Q. HAS PJM DEMONSTRATED THAT THERE ARE GENUINE LOWER VOLTAGE
23 LINE ISSUES THAT MSUT BE ADDRESSED?

1 A: No. It is crucial to consider whether these low-voltage issues disappear simply by
2 adopting more reasonable assumptions about the quantity of power transfer that could be
3 required to meet peak load demand in the Mid-Atlantic LDA. The supposed overloads may
4 depend on the transfers and, in particular, on the CETO values that determine the transfers. In
5 response to a request by the Commission staff, PJM recently updated its 2014 CETO for the
6 Mid-Atlantic LDA, reducing the CETO to 7,720 MW. (16 Oct. 2009, PATHVA 00027899).
7 This means that the CETO number that was used as the basis for all of PJM's testing in the April
8 2009 study was too high, and the results are therefore not credible on that basis alone.

9 As Mr. Loehr indicates, this revised CETO number is still unreasonably high. Lower
10 CETO numbers may reduce the flows reported with respect to the first 6 lines of Exhibit PFM-2.
11 The recent revision in CETO is significant, and more reasonable CETO assumptions would be
12 even more significant. Some of the reported 2014 violations may no longer occur.

13 Q: WITH RESPECT TO THESE LOWER VOLTAGE ISSUES, HAS PJM CONSIDERED
14 ALTERNATIVES TO BUILDING THE PATH LINE AND THEIR RESPECTIVE COSTS?

15 A: No, PJM has not looked for any fixes. (PATHVA 00027890). The only time that PJM
16 considered alternatives to PATH was during the 2007 RTEP process, and at that time, PJM had
17 not identified any of these alleged low-voltage line concerns as a justification for the PATH line.

18 The appearance of these issues for the first time in the April 2009 Study has not prompted
19 PJM to undertake any further analysis of alternatives. Yet these alleged low-voltage violations
20 constitute all of the thermal issues that arise in 2014. As discussed later in my testimony, all of
21 the other alleged violations that appear in Exhibit PFM-2 to Mr. McGlynn's testimony arise
22 more than five years from now based on extrapolation. In short, PJM has made no effort to
23 consider basic fixes for the few 2014 violations that it is alleging in support of PATH.

1 Q: CAN YOU ESTIMATE THE COSTS TO FIX THESE ALLEGED LOWER-VOLTAGE
2 SYSTEM PROBLEMS, AS AN ALTERNATIVE TO BUILDING THE PATH LINE?

3 A: Without knowing why each facility is limited, I can't identify optimal cost-effective
4 solutions, but I can give a rough estimate of what the high-end costs would be using PJM's own
5 reporting of routine upgrade costs as a conservative guide.

6 The RTEP reports discuss only upgrades whose cost is generally greater than \$5 million.
7 Many PJM upgrades are less expensive. Table 2 below is a sample of projects reported in the
8 2008 RTEP report. The average cost of replacing three 500/230-kV transformers is \$7 million.
9 The average cost of the other eight projects is \$13 million. If we apply the average transformer
10 replacement costs to the two 500/230-kV transformers in Exhibit PFM-2 we get \$14 million.
11 Applying the \$13 million average cost of the other eight items in Table 2 to the other four lower-
12 voltage overloads in Exhibit PFM-2 amounts to \$52 million. The sum for the six lower voltage
13 overloads in Exhibit PFM-2 is \$66 million. This is trivial compared to the cost of the \$1.8
14 billion PATH line.

15 This \$66 million number should be taken as a high upper bound of the cost of fixing the
16 supposed lower-voltage overloads in Exhibit PFM-2. The actual cost would probably be much
17 lower. This is because:

- 18 1. The projects in Table 2 are expensive. Many PJM upgrades are too cheap to be included
19 in this table. If they were included, the average would be considerably lower.
- 20 2. In particular, some of the projects in Table 2 are likely to be much more complex and
21 expensive than what would be required to fix the alleged violations in Exhibit PFM-2.
22 These include items 27, 34, and 35.

1 I reiterate that some or all of the supposed 2014 thermal violations may disappear if the
2 recently revised CETO number is used, and especially if a lower value as recommended by
3 Mr. Loehr is used, or if the load reductions covered in Mr. Fagan's testimony are modeled.

4 Q: WILL PATH BE A PERMANENT FIX FOR ALL OF THE ALLEGED LOWER-
5 VIOLATIONS IDENTIFIED IN LINES 1 THROUGH 6 OF MR. MCGLYNN'S TESTIMONY?

6 A: PJM says that two of them will overload in 2018, even with PATH. PJM claims that the
7 others will not overload until after 2024.

8

Table 2
 Typical more-expensive lower voltage upgrades
 (Source: PJM 2008 RTEP report, p. 261)

	Upgrade	Date	Cost (M)	TO Zone(s)	2008 TEAC Review
24	Reconductor the Bradford – Plainsboro 230 kV Ckt. 230-11 to provide a normal rating of 677 MVA and emergency rating of 827 MVA	June 2013	7.5	PECO	9/17/2008
25	Add a fourth 230/69 kV transformer at Stanton	November 2011	5.9	PPL	9/17/2008
26	Lackawanna - Oxbow - Rebuild approximately 16.33 miles of transmission line to support bundled conductor	December 2011	19.596	PENELEC	9/17/2008
27	Oxbow - N. Meshoppen - Rebuild approximately 1.06 miles of transmission line to support bundled conductor; North Meshoppen Substation upgrade/replace two CT circuits and replace substation conductor	December 2011	12.597	PENELEC	9/17/2008
28	Juniata - Replace 500/230kV transformer #2	December 2011	1.0	PPL	9/17/2008
29	South Troy - East Towanda - Reconductor 19.54 miles of the South Troy - East Towanda 115kV transmission line	April 2009	5.373	PENELEC	10/15/2008
31	Keystone - Replace #3 500/230kV Transformer	December 2009	5.5	PENELEC	9/17/2008
32	Keystone - Replace #4 500/230kV Transformer	December 2009	5.5	PENELEC	9/17/2008
33	Frackville - Shamondook - Rebuild approx. 5.3 miles of existing 69kV line	August 2008	5.25	PPL	10/15/2008
34	New Tunnel 230-13 kV Substation [2-62 MVA trfs.]		25	PECO	4/23/2008
35	Add Warminster 2nd 230-13 kV Substation [2-62 MVA trfs.]		23	PECO	4/23/2008

IV. ALLEGED 500-KV THERMAL VIOLATIONS

Q: WHAT ISSUES DO YOU DISCUSS IN THIS SECTION?

A: I discuss the alleged 500-kV thermal violations on the first page of Mr. McGlynn's Exhibit PFM-2. I didn't look at the second page because the claimed violations were so far in the future as to be even more speculative than what is shown on the first page. Certainly nothing on page 2 justifies building PATH in 2014. There are no alleged violations that occur before 2019 or later on page 2.

1 Q: DO YOU BELIEVE THESE ALLEGED 500-KV VIOLATIONS ESTABLISH A NEED
2 FOR PATH?

3 A. No.

4 Q: CAN YOU BRIEFLY SUMMARIZE THE REASONS FOR YOUR CONCLUSION?

5 A: Yes. Since 2006, PJM has identified alleged problems of overloads of the 500-kV system
6 under contingency that are related to PATH. The facilities and contingencies identified have
7 changed from year to year.

8 No matter what changes in the 500-kv system PJM has predicted, PATH is always
9 asserted to solve all alleged problems. Any line that solves all possible issues far out into the
10 future is either over-designed or poorly analyzed.

11 Since 2007, when the PATH line was approved by PJM, ostensibly to resolve 500 KV
12 issues, the supposed overloads have receded further into the future. In the 2007 RTEP, the first
13 alleged violations were in 2012, and in the 2008 RTEP the first alleged violations were pushed
14 back to 2013. In the April 2009 study, the onset of the alleged 500-kV problems receded two or
15 three additional years, from 2013 in the 2008 RTEP report to 2015-2016.

16 In the April 2009 study, the alleged overloads past the fifth year (e.g., years 2015-2024)
17 are not supported by any kind of contingency analysis, as described in the NERC standards, or
18 by the deliverability analyses that PJM performs. The alleged overloads are based purely on
19 extrapolated flows from 2014 and a linear analysis using distribution factors.

20 Extrapolation rather than detailed modeled is notoriously inaccurate. A \$1.8 billion line
21 should not be based on such a flimsy foundation.

1 Here, all extrapolated results are based on an inaccurate 2014 power flow base case.
2 After 2014, PJM does not alter the base case to reflect new generation projects or DSM resources
3 in the mid-Atlantic LDA

4 The extrapolation implicitly changes the power transfers and hence the CETO targets
5 which supposedly define the transfers, but without any formal re-determination of the CETO
6 targets. Specifically, the extrapolation is based on 2014 studies. These are based on CETO
7 values that have recently been revised downward. This reduction should reduce the 2014
8 loadings as well as the extrapolated loadings for later years. The years when alleged contingency
9 loads exceeded 100% may recede into the future. If reasonable, lower CETO objectives were
10 used, as recommended by Mr. Loehr, these reductions and postponements would be greater.

11 Generation assumptions are equally flawed. For instance, PJM claims that it incorporates
12 in its analyses all generation with a signed ISA. However, it omitted from its studies a proposed
13 1640-MW generator at Calvert Cliffs, with a first-quarter 2016 in-service date. This generator
14 has not only a signed ISA but also a signed CSA, which is one step further in the interconnection
15 process. This generator would reduce the Mid-Atlantic LDA CETO value. It would also reduce
16 the actual imports into that area. These changes would reduce any alleged overloads beyond
17 2015. By themselves, these changes would likely postpone the years when the extrapolated
18 loading is alleged to first exceed 100%.

19 A conservative extension, without growth, of the demand-side management resources
20 that cleared the 2009 RPM auction would have a similar effect on all of the numbers in Exhibit
21 PFM-2.

22 Not only are PJM's claimed overloads unreliable because they are based on
23 extrapolation, they cannot be audited because PJM did not retain the distribution factors or the

1 projected generation used to compute the alleged 500-kV overloads identified in the April 2009
2 study.

3 Q: PLEASE TRACE THE EVOLUTION OF THE ALLEGED 500-KV OVERLOADS.

4 A: Figure 1 and Table 3.4, both from the 2007 RTEP, will be helpful in following the
5 discussion below.

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Figure 1
Highlighted lines indicate the areas of alleged 500-kV overloads relevant to PATH.

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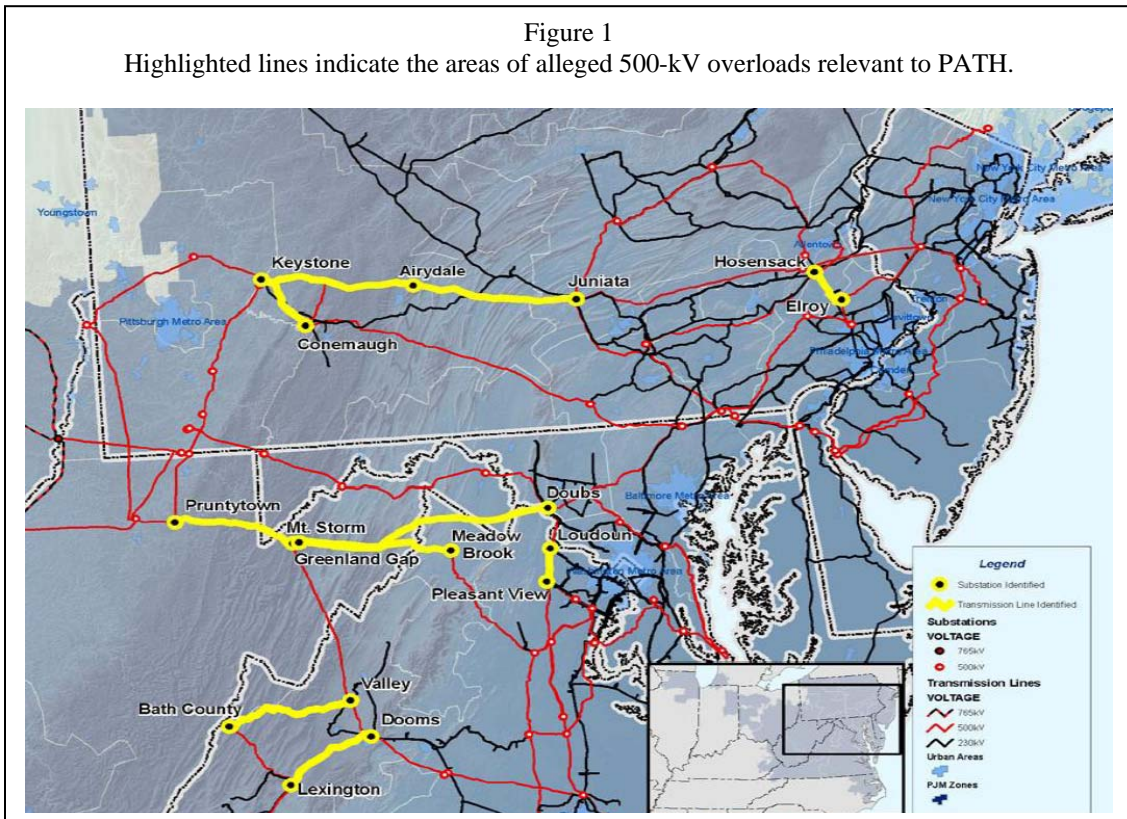
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TABLE 3.4: Reliability Criteria Violations Driving Need For Amos – Kempton Line

Overloaded Facility	Test Resulting in Highest Overload	Year That Facility Loading Exceeds Conductor Rating
Keystone – Airydale 500 kV	Load Deliverability	2012
Keystone – Conemaugh 500 kV	Load Deliverability	2012
Mt. Storm – Doubs 500 kV	Load Deliverability	2012
Airydale – Juniata 500 kV #1	Load Deliverability	2013
Airydale – Juniata 500 kV #2	Load Deliverability	2013
Pruntytown – Mt. Storm 500 kV	Load Deliverability	2015
Harrison – Pruntytown 500 kV	Load Deliverability	2016
Lexington – Dooms 500 kV	Load Deliverability	2017
Loudon – Pleasant View 500 kV	Load Deliverability	2017
Greenland Gap – Meadowbrook 500 kV	Load Deliverability	2020
Mt. Storm – Greenland Gap 500 kV	Load Deliverability	2020
Hosensack – Elroy 500 kV	Load Deliverability	2021
Bath County – Valley 500 kV	Load Deliverability	2022

1 In 2006, a PJM analysis concluded that with the [TrAIL] line, the only overloads relevant
2 to PATH would be on three 500-kV lines in central Pennsylvania, in 2019 and 2020.

3 In areas most relevant to PATH, the 2007 TEAC report said that Pennsylvania overloads
4 would now occur in 2012 (the 5th year) and 2013 (an extrapolated year). In addition, overloads
5 were projected on lines near Mt Storm and elsewhere in Virginia, notably Bath County. The
6 claimed 2012 overloads were two Keystone lines (Pennsylvania) and the Mt Storm-Doubs line.
7 Although these were five years out, applications for projects to relieve these alleged overloads
8 were not filed.

9 In the 2008 RTEP report, the need for PATH was projected to be in 2013, one year later
10 than in the 2007 RTEP report. The alleged violations in the 5th year (2013) continued to be
11 thermal overloads of the Mt Storm-Doubs line and of lines in Pennsylvania in the same area as
12 those identified in the 2007 RTEP report. In the extrapolation region were more Pennsylvania
13 and Virginia lines, including lines in the Bath County system as well as lines near Washington,
14 DC.

15 In the April 2009 study, there were no claimed thermal overloads in the 500-kV system in
16 2014, the 5th year. They all occurred in the extrapolation years, beginning in 2015 and 2016.
17 The earliest claimed overloads were of the Mt Storm-Doubs line and of a line in the Bath County
18 system. The Pennsylvania thermal overloads began next.

19 Q: CAN YOU SUMMARIZE PJM'S PREDICTIONS ABOUT ALLEGED 500-KV LINE
20 OVERLOADS SINCE 2006?

21 A: The PATH-related overloads were first claimed for the distant future in Pennsylvania,
22 with nothing on the horizon in Virginia. The following year, the claimed overloads in
23 Pennsylvania occurred many years earlier, along with Mt Storm-Doubs. Claimed overloads

1 began in the 5th year (2012). Other Virginia overloads, including Bath County overloads, were
2 also claimed for the later years. The next year the Virginia lines dominated, with Bath County
3 problems occurring earlier. Overloads again begin in the 5th year (now 2013). In the most recent
4 study the overloads continue to recede, this time to the 7th year (2016). Now the first two
5 claimed overloads are Mt Storm-Doubs and a Bath County line. Overloads on lines elsewhere in
6 Virginia and Pennsylvania are alleged. In summary, there are changes from year to year in the
7 lines claimed to overload.

8 Q: WHAT DO YOU CONCLUDE FROM THIS HISTORY?

9 A: PJM projections of alleged 500-kv line overloads are unstable. The first year of claimed
10 overloads moved from 2019 in 2006 to 2012 in 2007 and then receded by a year from 2007 to
11 2008 and by three years in April 2009. The set of lines involves changes from year to year.

12 The only constant is that PATH (as it is now called) will solve all alleged problems,
13 whatever they are claimed to be. The line is so big – its thermal limit is 6500 or 7000 MVA -
14 and its impedance is so low, that this conclusion is not a surprise. But PJM fails to demonstrate
15 that the alleged 500kv issues are credible and that there are no more modest, less intrusive, and
16 more cost-effective solutions to solve them.

17 Q: WHAT IS THE DIFFERENCE BETWEEN THE FIFTH-YEAR ANALYSES AND
18 THE ANALYSES FOR THE SUCCEEDING YEARS?

19 A: The difference is very significant.

20 PJM's analysis for the 5th year (e.g., 2014 in the April 2009 studies) uses accepted power-
21 flow tools. While PJM's use of these tools is not necessarily defensible, the results of its
22 analyses for years through 2014 are at least based on contingency analyses.

1 After the 5th year (2014 in the April 2009 study), there is no further contingency analysis.
2 For 2015 through 2024 (in the April 2009 study), PJM performed no reliability analysis. PJM
3 simply extrapolated the flows it calculated for the year 2014.

4 As PJM made clear in response to discovery questions: “PJM extrapolated the loading on
5 transmission facilities based on load growth to determine the thermal loadings beyond 2014.
6 Voltage analysis was only performed on the 2014 power flow case.” (PATHVA 00027835)
7 “PJM did not develop a 2016 power flow case. PJM extrapolated the loading on transmission
8 facilities based on load growth to determine the thermal loadings beyond 2014.” (PATHVA
9 00027942).

10 Q: WHAT’S WRONG WITH SUCH EXTRAPOLATION, IN YOUR OPINION?

11 A: Extrapolation is neither reliable nor accurate.

12 A \$1.8 billion project ought to be supported by real reliability studies, not extrapolated
13 “guesstimates.”

14 Q: WHY IS EXTRAPOLATION UNRELIABLE?

15 A: I do a lot of work with related problems and have published extensively in this area. As
16 part of one study we took 50 data points and estimated the values of others, whose values we
17 actually knew because this was an experiment. (Mukerji et al, “Creating Data Bases for Power
18 System Planning Using High Order Linear Interpolation,” IEEE Transactions on Power Systems,
19 Vol. 3, No. 4, November 1988). Four were outside the range that permitted interpolation. We
20 extrapolated for them using a sophisticated approach. The average extrapolation error was
21 25.7%.

22 Q: WHY IS EXTRAPOLATION UNRELIABLE IN THIS CONTEXT?

1 A: There are a number of reasons. Some have to do with the fact that we are inferring things
2 outside the range where we have hard information. Others reflect the simple absence of detailed
3 modeling.

4 For instance, PJM extrapolates flows. As the extrapolated flows change from year to
5 year, the sum of extrapolated flows on any set of lines changes, too. Suppose we are interested
6 in the sum of the flows entering the Mid-Atlantic LDA. In 2014, this sum is approximately the
7 CETO value. It is determined by the CETO value, in fact.

8 But there is no guarantee that the total flows in later years into this LDA will continue to
9 equal the 2014 CETO – or equal any other predetermined CETO, for that matter. In fact, they
10 probably won't.

11 Since the supposed load deliverability test overloads are due largely to total imports into
12 this LDA, and since the flows in the extrapolated years are not necessarily related to any
13 computed CETO, there is no fixed relationship between the extrapolated alleged load
14 deliverability overloads and any computed CETO objective. The extrapolated results are
15 therefore without a valid basis.

16 Q: WOULD THE USE OF REASONABLE CETO VALUES CHANGE THE
17 EXTRAPOLATED PROJECTIONS SET FORTH IN EXHIBIT PJM-2?

18 A: Yes. As noted above, in October 2009, PJM revised the Mid-Atlantic LDA CETO
19 downward. This appears to be a function of more generators reaching ISA status. Mr. Loehr
20 thinks the CETO objectives are still too high. So do I.

21 In any event, reducing CETO means reducing the flows into the LDA that are represented
22 in the 2014 studies. This will reduce the year 2014 flows on the 500-kV lines shown on Exhibit
23 PFM-2.

1 It will also reduce the flows in years 2015-2024.

2 Q: CAN THE EXTRAPOLATED RESULTS PRESENTED IN EXHIBIT PFM-2, BE
3 INDEPENDENTLY VERIFIED?

4 A: Nobody, including the Commission staff can replicate or verify them. Doing so would
5 require four sets of numbers.

6 1. The flows on each monitored line. PJM did not retain the individual runs on which each
7 2014 number is based.

8 2. The projected loads for each area. PJM retained these and made them available.

9 3. The projected generation for each area. PJM did not retain this information.

10 4. The distribution factors (DFAX). PJM did not retain this information.

11 In other words, Exhibit PFM-2, which for alleged 500-kV thermal violations is the basis for
12 establishing the need for the PATH project, cannot be replicated or audited independently. The
13 Commission cannot look under the hood. JM did provide descriptions of how the 2014 flows,
14 the projected generation, and the DFAX were calculated. These were not sufficiently
15 unambiguous to permit a skilled planner to replicate their work.

16 Q: DOES PJM'S EXTRAPOLATION METHOD ACCOUNT FOR ALL NEW
17 GENERATION WITH SIGNED ISAS IN THE MID-ATLANTIC LDA?

18 A: Based on discovery responses, my understanding is that it does not. In addition, as part
19 of its extrapolation, PJM increases generation "proportionally" to deal with projected future
20 loads.

21 Q IS THIS A PROBLEM?

22 A. Yes, as I explain below. PJM ignores its own rules as to when generation should be
23 modeled, and ignores significant amounts of planned generation in its own queue that has not yet

1 signed an ISA. In addition, generation does not “proportionally” enter the grid – it tends to enter
2 the grid in large chunks.

3 Q. CAN YOU PROVIDE AN EXAMPLE?

4 A: Certainly. In relying on the 2014 base case to project overloads in 2015-2024, PJM fails
5 to account for new generation that meets PJM’s own criteria for inclusion in analysis. PJM
6 claims to include all new generation with signed ISA, but it does not do so.

7 For instance, a proposed Calvert Cliff unit appears in PJM’s interconnection queue
8 position Q48, with a Q1 2016 in-service date. It has a signed ISA and in fact a CSA as well.
9 Under PJM’s rules, this unit should be included in the reliability analysis from 2016 onwards.

10 The unit does appear in the April 2009 power-flow case, but it is turned off. This is
11 reasonable, as it won’t be running in 2014. However, the unit should be turned on starting in
12 2016.

13 The extrapolation procedure never recognizes this the new units.

14 Q: HOW DO YOU KNOW THAT THE EXTRAPOLATION PROCESS DID NOT
15 ACCOUNT FOR NEW GENERATION FROM CALVERT CLIFFS STARTING IN 2016?

16 A: In two ways. First, the extrapolation procedure as described by PJM does not recognize
17 individual new plants with in-service dates beyond the 5th year (2014, in this case).

18 Second, the unit is big enough that a significant drop in the Exhibit PFM-2 numbers
19 should show up in 2016 and succeeding years. There is no such drop.

20 Q: WHAT WOULD BE THE EFFECT OF INCLUDING THIS UNIT N THE
21 RELAIBILITY ANALYSIS?

22 A: I explored potential effects of incorporating generation from this Calvert Cliffs unit in
23 2016 with a corresponding drop in generation spread equally among Mt Storm, Amos, and

1 Kammer – a specific redispatch, if you will, but one that also represents a reasonable proxy for a
2 redispatch spread throughout western PJM.

3 I calculated my own distribution factors for the line 7 (Exhibit PFM-2) flowgate and
4 applied them based on the three-way split assumption. I derated the Calvert Cliffs unit by 13%,
5 a typical equivalent forced outage rate for large nuclear units

6 With these assumptions, the flow on the Mt Storm-Doubs line, with the outage of the
7 Meadow Brook-Loudon line, is reduced by 253 MW. This line has an emergency rating of 2598
8 MW, according to the 2014 base case. In percentage terms, 253 MW is 9.7% of the emergency
9 rating. This means that 9.7% should be subtracted from every number in row 7 of Exhibit PFM-
10 2. This means that the loading (using PJM's extrapolation technique) would not exceed 100%
11 until 2021.

12 Incidentally, I don't know if PJM uses normal or emergency ratings for their calculation
13 of percentages. If they use normal ratings, then the 9.7% number above becomes 9.9%.

14 The Commission should not approve a line today based on a projected overload in 2021.

15 Q: HOW ABOUT THE CLAIMED OVERLOAD OF THIS LINE IN 2015, DR.
16 MERRILL?

17 A: I will show later that that claimed overload is completely eliminated by recognizing
18 updated demand-side management resources.

19 Q: HOW ABOUT THE OTHER CLAIMED OVERLOADS IN EXHIBIT PFM-2?

20 A: I calculated the distribution factors for the rest of the 500-kV flowgates on the first page
21 of PFM-2, and of the 345-kV one as well. The post-contingency flows on every one of these will
22 be reduced by the Calvert Cliffs unit and the redispatch I described.

23

1 Q: WOULD MODELING THE CALVERT CLIFFS UNIT HAVE ANY OTHER EFFECT
2 ON ALLEGED THERMAL VIOLATIONS ON 500-KV LINES?

3 A: Yes. It would reduce the calculated CETO for the Mid-Atlantic LDA. This would cause
4 the dispatch modeled in 2014 to change, reducing the base west-to-east flows and further
5 reducing the loading on most or all of these lines in 2014. This should reduce all of the post-
6 2015 500-kV flows show in Exhibit PFM-2, using PJM's extrapolation technique.

7 Q. DOES THE FACT THAT CALVERT CLIFFS IS A NUCLEAR UNIT AFFECT YOUR
8 CONCLUSIONS?

9 A. No. I understand that no nuclear plants have been ordered in the U.S. for thirty years and
10 that the new Calvert Cliffs unit is not certain to be in service in 2016. However, the signed ISA
11 and CSA indicate that this is a serious project. Further, my point is that PJM's analysis violated
12 PJM's own protocols. It failed to account for new generation in the LDA of concern that is
13 satisfies PJM's criteria for inclusion and that is reasonably certain to materialize.

14 Q: HOW WOULD THE MOST RECENT RPM AUCTION AFFECT THE ALLEGED 500-
15 KV THERMAL OVERLOADS?

16 A: The DSM resources that cleared in the 2009 RPM auction are extremely significant. I
17 will describe the effect that these results would have.

18 I understand that the cleared demand response (DR) and energy efficiency (EE) from the
19 2008 auction were incorporated in the load forecast for the April 2009 study, and that these
20 auction results were projected without change into the future by PJM.

21 I also understand that the 2009 RPM auction cleared 717 MW more in the BGE
22 (Baltimore Gas & Electric) area than did the 2008 auction, and 316 MW in PEPCO and that
23 these additional DSM resources have never been considered.

1 For modeling convenience, I injected all of this change (1033 MW) at Calvert Cliffs, a
2 reasonably central bus, with compensating reductions divided evenly between Mt Storm, Amos,
3 and Kammer plants.

4 With these assumptions, the post-contingency flow on the Mt Storm-Doubs line for the
5 line 7 flowgate was reduced by 183 MW. This is 7% of the emergency rating of the line. This
6 7% should be subtracted from every number on the line 7 flowgate in Exhibit PFM-2. This will
7 eliminate the claimed 0.9% overload in 2015.

8 Considering both the Calvert Cliffs unit and the EE and DR, the loading on the line will
9 not exceed 100% until 2024.

10 As with the Calvert Cliffs unit, the loading on all monitored 500-kV and 345-kV lines on
11 the first page of Exhibit PFM-2 will also be reduced, but effective 2014.

12 This resource should also reduce the CETO objective, similar to the effect of the Calvert
13 Cliffs unit.

14 Q: HOW ABOUT THE EFFECT OF THE DEMAND RESPONSE AND ENERGY
15 EFFICIENCY IN THE REST OF PJM?

16 A: I understand that the DR and EE resources that cleared the 2009 RPM auction were
17 greater for every company in eastern PJM than in 2008.

18 DR and EE elsewhere in eastern PJM will reduce all of the 500-kV and 345-kV flows
19 shown on the first page of Exhibit PFM-2, in addition to the reduction calculated above for DSM
20 in BGE and PEPCO.

21 Q: CAN YOU SUM UP YOUR CONCLUSIONS REGARDING THE NEED FOR PATH,
22 BASED ON THE CLAIMED 500-KV THERMAL OVERLOADS?

1 A: Exhibit PFM-2 is the basis for establishing the need for PATH as far as the alleged 500-
2 kV thermal violations are concerned.

3 The reliability analysis that underlies PFM-2 was not performed beyond 2014. All results
4 beyond 2014 are extrapolated. Extrapolation is neither reliable nor acceptable, particularly for a
5 \$1.8 billion project. I pointed out specific errors that extrapolation caused.

6 PJM failed to include a new unit at Calvert Cliffs, with Q1 2016 in-service date, in spite
7 of its having not only an ISA but also a CSA. Including this unit will reduce all 345-kV and
8 500-kV numbers on page 1 of PFM-2 from 2016 onward.

9 Incorporating the cleared energy efficiency and demand response resources from the
10 2009 RPM auction would further reduce all 345-kV and 500-kV numbers on page 1 of PFM-2,
11 beginning with 2014.

12 The data used to develop PFM-2 was not retained by PJM. The numbers cannot be
13 validated or audited.

14 *V. TWO POSITIVE RECOMMENDATIONS*

15 Q: DR. MERRILL, HAVE YOU ANY POSITIVE RECOMMENDATIONS?

16 A: Yes. In addition to the other problems with PJM's planning process identified throughout
17 this testimony, which should be corrected, I have two additional recommendations.

18 First, PJM's planning needs to consider environmental and economic effects thoroughly
19 and from the beginning, even for projects that they feel are justified by reliability needs.

20 Q: DON'T THEY ALREADY DO SO?

21 A: They claim to but they do not. I did a word search on the 2008 RTEP report. Table 3
22 shows that words related to reliability occur, on the average, more than once per page. Words

1 related to economics and the environment occur much less frequently. Table 3 reflects PJM's
2 planning efforts.

3 PJM should consider environmental issues throughout planning, not just at the last stage
4 of line routing. PJM also should consider the true economic effects of its decisions, not just the
5 cost of the line. For example, a 2007 PJM analysis showed that the cost to the rate payer of the
6 Amos – Kempton line is much greater than the cost of the line itself.

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Words	Occurrences
reliable, reliability	495
economic, economical	89
environment, environmental	11
greenhouse	0
CO ₂	7
carbon	1
subtotal, five environmental terms	19

21 Q: WHAT IS YOUR SECOND POSITIVE RECOMMENDATION?

22 A: The regional power system faces two possible paths. One path relies more and more on
23 massive long transmission lines bringing coal-fired power to the eastern seaboard. This is not
24 sustainable and makes the system brittle, susceptible to cascading blackouts. Ten state governors
25 in the region are on record as opposing this path.

26 The other path is development of cleaner local gas-fired plants and local renewables,
27 including demand-side resources. This is sustainable. PJM claims that its charter is transmission
28 only and precludes considering such a path. Discovery in this case has shown that this is not
29 true. PJM says that it diagnosed the need for the RPM market, led its design, and carried it
30 through the FERC – not at all a transmission effort.

1 PJM's regional strategy has never been reviewed in detail by any regional body. The
2 FERC and individual state commissions are asked to approve individual projects without a vision
3 of where they will lead. PJM's focus on transmission, with mandatory imposition on member
4 companies, makes it hard for companies to develop non-transmission alternatives.

5 This Commission should insist on a true strategic assessment of alternative long-range
6 paths as a part of every application.

7 VI. CONCLUSIONS

8 Q: CAN YOU PLEASE SUM UP BRIEFLY YOUR TESTIMONY?

9 A: Yes.

10 PJM has not demonstrated the need for the PATH line.

11 PJM bases the claimed need for PATH on 2008 studies, updated in April 2009. The
12 April 2009 study identifies three sets of claimed reliability issues.

- 13 1. *Claimed widespread low voltage and voltage collapse.* These were diagnosed for the
14 first time in April 2009. The alleged problems are due, at least in part, to questionable
15 changes in assumptions since the 2008 RTEP studies. The normal fix for such issues –
16 capacitors of various kinds – was dismissed by PJM without careful study, for specious
17 reasons. In fact, Company witnesses have admitted that 2,000 Mvars of voltage support
18 would eliminate the voltage issues driving the “need” for PATH, claiming that such a
19 large number is “infeasible”. But the PATH project itself entails installation of 1,750
20 Mvars worth of voltage support. In addition, an October 2009 update of the CETO
21 transfer target eliminates one-third of the contingencies that cause the claimed issues.
22 Finally, using reasonable “CETO” values and accounting for demand side management

1 (“DSM”) resources that have cleared the latest RPM auction will further help to resolve
2 or eliminate the alleged voltage issues.

3 2. *Claimed overloads on six lower-voltage facilities.* These also were diagnosed for the first
4 time in April 2009. Such problems are routinely resolved on the lower-voltage system, at
5 much lower cost than building a \$1.6 billion line. PJM analyzed no alternatives to the
6 PATH line for addressing these issues.

7 3. *Claimed overloads on 500-kV transmission lines.* Alleged future issues were identified in
8 2007 (forecast to potentially arise in 2012) and 2008 (beginning one year later, in 2013).

9 In the April 2009 study, they are claimed to show up two or three years later, beginning
10 in 2015 or 2016. However, no contingency or other reliability analyses, or detailed

11 modeling, were done for any year after 2014 – the first year that PATH is allegedly

12 “needed”. Instead, the conclusions are based wholly on *extrapolation* from 2014 studies

13 – an inherently unreliable technique. The studies also failed to include a proposed 1,640

14 MW unit with an executed ISA, in violation of PJM’s oft-stated planning standards.

15 Including this unit, and updating DSM resources to reflect the results of the 2009 RPM

16 auction, will significantly reduce the flows on the supposedly-overloaded lines. Using

17 the updated CETO target will further reduce flows on these lines. Finally, the problems

18 diagnosed in the April 2009 study were radically different from those identified in earlier

19 studies. With the exception of superficial “analyses” of capacitors to resolve the alleged

20 voltage issues, *no alternatives* to the PATH line have been evaluated in the context of this

21 new set of alleged problems.

22 Q: DOES THIS CONCLUDE YOUR TESTIMONY?

23 A: Yes.

Exhibit HMM-1

HYDE M. MERRILL

Principal
Merrill Energy LLC

Dr. Merrill earned degrees in mathematics from the University of Utah (BA, 1967) and electrical engineering from the University of Utah (MS, 1968) and MIT (PhD, 1972). He was elected to the Tau Beta Pi, Eta Kappa Nu, and Sigma Xi honor societies. He is fluent in Spanish, comfortable in French, and reads Portuguese. He has worked in about 40 countries.

Dr. Merrill is a registered professional engineer in New York State. A fellow of the IEEE, he has been active on several committees. He was chairman of the 1995 PICA (Power Industry Computer Applications) Conference and chaired the PICA Policy Committee for four years. He is the author of more than 80 technical papers.

Merrill Energy, LLC (1998 – Present)

Dr. Merrill founded Merrill Energy LLC to provide advanced risk, engineering, and economic analyses for participants in modern energy markets.

He did studies and testified to the US DOE and Virginia Corporate Commission on National Interest Electric Transmission Corridors and a related transmission line. He testified to the FERC on behalf of power plants having difficulty getting interconnected in Maine and Nevada. He led a major study of power plant reliability and market behavior for a US ISO. In several projects, he developed a transmission plan and advised the Peruvian tariff commission on transmission planning criteria, methods, tariffs, economic and institutional issues in a competitive power market. He assisted in developing a grid code and market structure in Pakistan. He did similar work in Venezuela.

He helped reduce planning risks for an international consortium seeking to build an IPP in the US. The target region was swamped with IPPs. The region wanted to be responsive, but it ended up with a planning and licensing procedure that Dr. Merrill described to the FERC as “arbitrary . . . makes unreasonably burdensome assumptions . . . [and] is largely irrelevant and ineffectual in determining the transmission costs.” The FERC granted the relief sought, agreeing that the “procedures are based on unrealistic assumptions, produce unreliable cost estimates, and are not otherwise justified.”

He organized a team that assessed market risks in four US regions. He advised a Quebec commission charged with investigating massive power losses in the January 1998 ice storm. He was part of an international consortium guiding the creation of a power pool in southern China. He advised a leading utility in developing a position and a FERC affidavit on IPP governors. He did production simulations to assess market risks for a cogenerator in Mexico. He did a risk assessment and economic analysis for a company considering building a merchant transmission line. He organized and led a team that did an assessment of operating risks for the public utility regulator of Panama. He did a market and risk assessment for power plants in the Philippines.

Dr. Merrill was an adjunct professor at Rensselaer Polytechnic Institute. He develops and teaches seminars on transmission access and wheeling, competitive markets, utility planning and operations, utility economics and finance, and other topics.

Power Technologies, Inc. (1980 – 1998)

At Power Technologies, Inc. (PTI) he carried out some two dozen assignments on economic, engineering, and regulatory issues associated with transmission services access and pricing in

restructured power sectors. One was an early application of economic theory to the efficient allocation of New York's transmission system to contenders. He testified on retail wheeling before the Michigan PUC. He led a project that developed a practical approach to pricing transmission access and ancillary services for the Malaysian grid. This included an elegant but easy-to-use way to calculate long-run marginal costs of transmission. As part of a commission-sponsored working group, he studied marginal costs of transmission for the New York system. He contributed to the landmark US Congress Office of Technology Assessment study on competition in power, "Electric Power Wheeling and Dealing." He led two major technical-economic studies of the proposed SIEPAC Central American interconnection, redesigning this important link.

He was principal investigator for an Electric Power Research Institute (EPRI) project to develop a method for setting transmission transfer capability objectives in the presence of risk (TRADE software). He led a second EPRI project that developed a general method for strategic planning and decision making with risk and conflicting objectives; his RISKMIN program became part of the EGEAS system. He extended the decision-analysis work done at MIT and for EPRI, and was the principal developer of the trade off/risk method and of PTI's TO/R computer program.

He was principal developer of other commercial software: PP/MS (power plant maintenance scheduling), Quick Corporate Model, and TOPS (transmission oriented production simulation).

He contributed to the development of least-cost planning. He was project manager for a number of least-cost planning studies, including two World Bank studies in Hungary and in Costa Rica.

He did studies to assess risks of coal supply interruption and to set target inventory levels. He analyzed battery storage on the New York subway system. He carried out a number of strategic planning studies, including a market assessment for power produced in one country and sold in another.

Dopazo, Merrill, and Sasson (1975 – 1980)

While at AEP and MIT, Dr. Merrill was a member of a partnership consulting to power companies, engineering firms, and research organizations in the US, Europe, and Latin America, mainly on real-time control of electric power systems and development of control centers.

MIT Energy Laboratory (1979 – 1980)

He was a senior visiting scientist at MIT. He helped teach a graduate course on strategic planning and was technical director of a major research project on energy strategies. He developed powerful new methods for strategic planning in the presence of risk and uncertainty.

American Electric Power Service Corporation (1972 – 1979)

He joined AEP out of graduate school and was promoted to senior engineer and then to section head. He developed computer applications in operations, planning, and management for the AEP System. One of these was a pioneering power plant maintenance scheduling program. He contributed to the development of state estimation for electric power systems, both as a graduate student and at AEP. He was responsible for developing analytic tools to support the mining, storing, and shipping of coal at AEP. He evaluated nuclear turbine risks.

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Technical Publications

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CERTIFICATE OF SERVICE

I, Emily Greenlee, hereby certify, under penalty of perjury, that a true and correct copy of the foregoing Direct Testimony of Hyde Merrill on Behalf of the Sierra Club was served to the following by electronic mail or U.S. mail, first class, postage prepaid on this 23rd day of October, 2009:

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