

**UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY**

**International Transmission Company** )  
**d/b/a ITC *Transmission*** )

**Docket No. PP-230-4**

**PETITION TO INTERVENE OUT OF TIME AND COMMENTS OF  
PEPCO HOLDINGS, INC.**

Pepco Holdings, Inc. (“PHI”), on its own behalf and on behalf of its affiliates Potomac Electric Power Company (“Pepco”), Atlantic City Electric Company (“Atlantic City”), and Delmarva Power & Light Company (“Delmarva”) (collectively, the “PHI Companies”), respectfully submits this petition to intervene out of time and comments in support of the March 25, 2011 filing by PJM Interconnection, L.L.C. (“PJM”) in the above-captioned proceeding.<sup>1</sup>

**I. Communications**

The PHI Companies designate the following individuals to receive service of all filings made in this proceeding:

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<sup>1</sup> PJM Motion to Intervene and Initial Comments of PJM Interconnection, L.L.C., Docket No. PP-230-4 (March 25, 2011) (“PJM March 25 Comments”).

## **II. Background**

The Department of Energy (“DOE”) issued a Presidential Permit to International Transmission Company, d/b/a *ITCTransmission* (“ITC”) on September 26, 2000, authorizing ITC to construct, operate, maintain and connect electric transmission facilities at the international border of the United States and Canada (PP-230-3). On January 5, 2009, ITC filed an application with the DOE seeking to amend PP-230-3 and requested authorization to replace two phase shifting transformers and a third transformer (“PAR”). The PAR facilities will be located at the Michigan-Ontario border, entirely within the Midwest Independent System Operation Inc. (“Midwest ISO”), which neighbors PJM. The DOE issued a Federal Register Notice on February 10, 2009 announcing ITC’s amended application.<sup>2</sup>

## **III. Motion to Intervene Out of Time**

The PHI Companies request intervention in this proceeding. The PHI Companies are PJM transmission owners and load serving entities (“LSEs”). Pepco, Delmarva and Atlantic City is each a state regulated transmission and distribution utility. Together, they provide transmission and distribution services to over 1.8 million retail customers in the Mid-Atlantic region, which is within PJM. As transmission owning members of PJM, the PHI Companies’ systems may be adversely affected if the PARs are operated in a manner that restricts all loop flows across the Michigan-Ontario border. In addition, as PJM explains in its Comments “[b]y selectively preventing naturally occurring ‘loop’ flows in the Eastern Interconnection, transmission congestion on the PJM, NYISO, and Midwest ISO transmission systems will

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<sup>2</sup> Notice of Application to Amend Presidential Permit; International Transmission Company, d/b/a *ITCTransmission*, 74 Fed. Reg. 6606 (Dep’t of Energy Feb. 10, 2009).

increase, raising costs for transactions on those systems.”<sup>3</sup> As load serving entities in PJM, the PHI Companies may be responsible for significant ongoing costs associated with transmission congestion caused by ITC’s selective prevention of loop flows. Thus, the PHI Companies are affected, not only by the allocation of costs related to the PAR facilities, but also by the manner in which those facilities are operated.

The PHI Companies submit that good cause exists for allowing their late intervention. The PHI Companies will accept the record as it presently exists and granting their intervention at this stage of the proceeding will not adversely affect any party. The PHI Companies only recently became aware of the potential impacts that ITC’s operational control of the PARs will have on neighboring systems such as PJM and the significant congestion costs that will be incurred by PJM customers such as the PHI Companies as a result of ITC’s planned operation of the PARs. Consequently, the PHI Companies will be affected by any DOE action in this proceeding and have a unique interest in the outcome of this proceeding that cannot adequately be represented by any other participant.

#### **IV. Comments**

The PHI Companies affirmatively support the arguments raised by PJM in its March 25 Comments in this proceeding. Specifically, PJM notes it “estimates that the increased congestion costs resulting from planned operation of PARs could be at least *\$12 million annually* on the PJM system alone.”<sup>4</sup> Due to the impact that increased congestion costs will have on PJM’s system and the overall affect that operation of the PAR facilities will have on open access

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<sup>3</sup> PJM March 25 Comments, at p. 6.

<sup>4</sup> PJM March 25 Comments, at p. 7.

transmission service, PJM requests that DOE delegate to FERC authority to review, at least initially, the operating agreement (“Operating Agreement”) that will control operation of the PAR facilities.<sup>5</sup> The PHI Companies agree with PJM that DOE delegation to FERC is the appropriate course of action under the circumstances.

The PHI Companies are currently parties to an ongoing FERC proceeding referenced by PJM in its March 25 Comments.<sup>6</sup> In that proceeding, FERC has been presented with issues related to the proposed allocation of costs for the PAR facilities. Specifically, FERC is considering whether the cost of the replacement PARs at the Michigan-Ontario border can and should be allocated between Midwest ISO’s ITC rate zone, the New York Independent System Operation (“NYISO”) and PJM. The PHI Companies and other PJM Transmission Owners have opposed ITC’s and Midwest ISO’s unilateral cost allocation proposal.

The PHI Companies recognize that the cost allocation issues involved in the FERC proceeding are not presently before the DOE. However, DOE’s review of the Operating Agreement concerning the replacement PARs implicates energy flows on the FERC-regulated PJM transmission grid and the overall cost impacts of the PAR facilities. In the event that DOE grants ITC’s requested Presidential Permit, the PARs will be operated by ITC to prevent loop flows across the Michigan-Ontario border in a manner that will directly increase congestion and associated costs for PJM and NYISO participants. Further, the imposition of such costs on PJM and NYISO participants is not tied to any benefit. The public interest is not served where one set of parties is unilaterally forced to pay increased costs while another set of parties, namely those

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<sup>5</sup> *Id.* at pp. 8-9.

<sup>6</sup> *Id.* at p. 10. *See Midwest Indep. Sys. Operator, Inc.*, 133 FERC ¶ 61,275 (2010) (Order establishing hearing and settlement judge procedures in Docket No. ER11-1844-000, *et al.*)

in the ITC zone and across the border in Ontario, reap the benefits. Consequently, the PHI Companies support PJM's request that DOE direct "the FERC to review, approve, modify, condition or reject the to-be-filed Operating Agreement in accordance with the public interest standard and the FERC's open access transmission standards and practices."<sup>7</sup> The PJM Companies also support PJM's alternative request that DOE "condition any Presidential Permit for the new PAR facilities on ITC submitting the Operating Agreement to FERC for review and authorize FERC to impose conditions as necessary."<sup>8</sup>

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<sup>7</sup> PJM March 25 Comments, at p. 9.

<sup>8</sup> *Id.*

**V. Conclusion**

The PHI Companies respectfully request that the DOE grant their late intervention and accept PJM's request to delegate to FERC the issues raised by ITC's proposed operation of the PAR facilities.

Respectfully submitted,

*/s/ Nicole S. Allen*

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Counsel for the PHI Companies

April 8, 2011

**CERTIFICATE OF SERVICE**

I hereby certify that I have served this day copies of the foregoing on the official service list compiled by the Office of the Secretary in accordance with Rule 2010 of the Commission Rules of Practice and Procedure.

Dated at Washington, D.C. this 8th day of April, 2011.

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/s/  
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