



September 19, 2007

Mr. James J. McNulty
Secretary, Pennsylvania Public Utilities Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Docket # A-110172 and the following related dockets:
A-110172 - F0002
A-110172 - F0003
A-110172 - F0004
A-110172 - G00071229
(related to Allegheny Energy's TrAIL transmission line proposal)**

The Pennsylvania Land Trust Association submits these comments on behalf of our 80 member organizations, their more than 89,000 contributors and members, and the landowners whose lands are under conservation easement with these member organizations.

The mission of the Pennsylvania Land Trust Association is to protect Pennsylvania's special places and landscapes for today and for generations to come. To increase the quality and pace of land conservation, PALTA helps conservation practitioners improve their effectiveness, builds public understanding, and advocates for better governmental policy.

It is of great concern to the Association that the proposed transmission line would permanently damage the landscape, involve the condemnation of land and cause other deleterious effects on the environment and communities without it being firmly established that the line is necessary with no viable alternatives. Before lands and other resources – conserved or otherwise – are subsumed to the proposed transmission route, we believe there must be an appropriate and balanced consideration of competing public benefits and of alternatives for meeting energy needs including those that do not require new and larger transmission lines.

The Pennsylvania Land Trust Association recognizes the importance of meeting future electricity needs. We see evidence that a large portion of these needs can be

addressed in a variety of ways that do not require the construction of high voltage, interstate power lines. However, we do not see evidence that these alternatives are being given the consideration necessary to support informed, balanced energy planning decisions for our region. To the contrary, important concerns have been raised that the planning processes used to justify new transmission build in the PJM system are fundamentally biased and consequently overstate the need for expansion.

We call upon the PUC to scrutinize the applicant's planning assumptions, and carefully examine the necessity of new transmission infrastructure before approving this project that would scar the landscape and harm the communities and residents in its path. If necessary, we hope the PUC would call for an improved standard in transmission planning if its findings show that the methodologies in use today fail to adequately reflect realistic and reasonable planning scenarios. Finally, should the PUC determine that there is merit in constructing the proposed TrAIL line, the Association stresses the importance of a thorough assessment of impacts to the open lands and natural resources and of how these impacts might be mitigated using alternative routes.

Bias in PJM transmission planning and capacity markets

Substantive methodological questions have been raised about PJM's transmission forecasting process. Of particular note are the comments earlier this year of PSEG, Constellation Energy and Mirant. The comments on PJM's Regional Transmission Expansion Plan as well as those on the May 9, 2007 recommendations of the Transmission Expansion Advisory Committee raise concerns that the PJM transmission planning process is flawed and, in fact, skewed so as to favor transmission options over generation and demand-side alternatives. Specifically, we ask the PUC to consider the following comments:

Constellation Energy: "The information provided to date is not sufficient ... This information directly affects the assessment of what amount of generation and/or demand response may solve the reliability problems at a more efficient cost."¹

PSEG: Noting that the transmission planning process has underrepresented "meaningful generation forecasting" and the likely outcomes of PJM's

¹ Constellation Energy comments to PJM Board regarding *Transmission Advisory Committee Transmission Upgrade Project Recommendations*, June 15, 2007. <http://www.pjm.com/committees/teac/downloads/20070509-pjm-letter.pdf>

Reliability Pricing Model, PSEG asserted that the transmission planning methodology “skews the analysis in favor of economic transmission build to the detriment of competitive generation and demand response solutions” and that a continuation of this practice “will result in an imbalanced and flawed process sending the wrong price signals to merchant generation and demand response programs with resulting damage to competitive markets.”²

and

Mirant: Mirant notes that the transmission loading models used by PJM “are highly sensitive to projected generation retirements and additions. PJM staff, however, has not released the assumptions used in the models so there is no way for market participants to test the validity of the results.”³

The import of these comments is great. The possibility that the transmission expansion forecasts might be skewed to favor transmission projects over non-transmission alternatives must be examined closely. We would direct the PUC’s attention to a third-party assessment of the PJM transmission planning process which found that substantial generation potential in the eastern portion of PJM is under-represented, including generation in the queue with in-service dates in or before 2011.⁴ The predictable upshot of the input assumptions (that the system will see minimal generation build in the eastern region) is a recommendation that new transmission can relieve projected overloads. To wit,

“With modest demand growth, but essentially no new generation in eastern PJM through ten years, of course imports from western PJM would grow. Of necessity the computer models using this assumption will show west-to-east lines overloading”⁵

In the face of this modeling bias it is particularly important to note that, in reality, the contributions of new generation and demand-side resources to the PJM system are increasing steadily. There is every reason to insist that these trends be

² PSEG Companies’ Comments to the May 9, 2007 Presentation of the PJM Transmission Expansion Advisory Committee, June 8, 2007 <http://www.pjm.com/committees/teac/downloads/20070509-pseg-comments.pdf>

³ Mirant Comments to the PJM Board of Managers on the May 9, 2007 Proposed Update to the PJM RTEPP, June 7, 2007 <http://www.pjm.com/committees/teac/downloads/20070509-mirant-comments.pdf>

⁴ Piedmont Environmental Council, *How Dominion Power and Allegheny Power Got it Wrong*, September 2007, at pages 8,9, and 16. <http://pecva.org/anx/index.cfm/3.215.503/howgotitwrong.pdf>

⁵ Ibid.

accurately reflected in the resource planning and forecasting models used by transmission applicants and by PJM.

The prior capacity market framework in use by PJM disadvantaged new generation to the point that the Chairman of the Federal Regulatory Commission summarized the Commission's findings in the matter thus, "the Commission finds the existing capacity construct in PJM to be unjust and unreasonable because the current capacity markets do not support continued generation entry." And "a capacity market that ... places no value on locating generation where it is most badly needed, that produces shortage and serious reliability problems, does not result in just and reasonable rates – nor is it good public policy."⁶ The PJM capacity market construct, the Reliability Pricing Model, was subsequently adjusted to the point where there is now generation entry in the eastern PJM market, as discussed below. This shift requires a concomitant adjustment of PJM system planning modeling. A new day is dawning in the region's capacity market, and this change must not be ignored by the transmission expansion planning process.

Mis-estimation of local generation and demand-side resources

That the potential of demand response is greater than the historic impacts on the PJM system is evident from the record-setting contributions made by demand resources in both present-year dispatchable resources and future capacity additions as cleared at auction. 2007 has been a year of rapid changes; growing short-run and long-run potential is swiftly being realized. In this rapidly changing context, it is imperative that system-planning assumptions be updated to incorporate these new milestones and the trends they represent for the PJM system's needs for transmission.

With respect to resource contributions in the short-run, PJM was able to deploy a record-setting degree of demand reduction using a suite of existing demand response options, including day-ahead markets, real-time dispatch, emergency load reductions, and interruptible service contracts.⁷ The aggregate impact of these demand response programs even exceeded the peak reductions achieved by the voltage reduction instituted the same day, yielding nearly double the peak

⁶ Statement of Chairman Joseph T. Kelliher of the Federal Energy Regulatory Commission at the April 20, 2006 meeting of the Commission.

⁷ "Demand Response Sets New Record in PJM Interconnection", press release issued by PJM, August 10, 2007. <http://www.pjm.com/contributions/news-releases/2007/20080810-demand-response-record.pdf> See also page 7 of *Demand-Side Response Weekly Overview and Long-Term trend Report, Week of 8/6/2007 to 8/10/2007*, PJM, August 2007. <http://www.pjm.com/committees/working-groups/dsrwg/postings/weekly-overview-long-term-trend-report.pdf>

reduction impact (1945 MW vs. 1000 MW).⁸ On an annual basis curtailed loads continue to grow year by year, with partial year results for 2007 (through the end of July) exceeding full year impacts from any prior year.⁹

Future contributions from demand-side resources also show significant growth. The results of PJM's capacity auction this year bear out the previously mentioned concerns that the potential for demand response and local generation resources is greater than projected by transmission planners. Most striking are the rate of increase in the contributions from demand response and the magnitude of existing generation brought out of retirement or kept on-line through retirement postponements. One recent auction yielded 1300 MW in new resources and 2300 MW in retention of existing generation resources, with the greatest resource additions in those areas most in need of capacity.¹⁰ The amount of DSM capacity cleared at auction increased four-fold in a six month period. Demand response provided the equivalent of a new 500 MW generation plant in this one auction alone.

The recent success of the RPM is doubly noteworthy in that it is spurring capacity investments in those areas where there is greatest market need for capacity. This would minimize the need for interstate power flows, throwing into question the appropriateness of transmission as the chosen solution to the system's power needs.

While initial justifications for the TrAIL line were focused upon interstate transfer capacity,¹¹ recent statements from Allegheny Energy suggest that the line is needed to serve load growth in southwestern Pennsylvania. Given the problems outlined in the preceding pages, we feel the PUC should examine whether the same type of estimation problems found at the regional level are similarly evident in the modeling of local power demand growth. If so, this would seem to require a re-examination of the TrAIL planning model, to determine the probable level of need for additional infrastructure, and an assessment of whether the new demand

⁸ Ibid.

⁹ *Demand-Side Response Weekly Overview and Long-Term trend Report, Week of 8/6/2007 to 8/10/2007*, PJM, August 2007, page 10. <http://www.pjm.com/committees/working-groups/dsrwg/postings/weekly-overview-long-term-trend-report.pdf>

¹⁰ *PJM Reliability Pricing Model Producing Results*, PJM press release, July 13, 2007, <http://www.pjm.com/contributions/news-releases/2007/20070713-2nd-rpm-results.pdf>

¹¹ See, for example, the testimony of Karl Pfirrmann, President of PJM Western Region, to US DOE, 2005, Docket No. AD05-3-00. http://conserveland.org/pp/Transmission/testimony_mtneer.pdf. Also filing of Allegheny Energy to the US Department of Energy, March 6, 2006. <http://www.oe.energy.gov/DocumentsandMedia/allegheny.pdf>

estimates can be reliably met by lower cost, non-wires solutions. The Pennsylvania Land Trust Association calls upon the PUC to examine whether the types of transmission planning flaws which were the foundation for the application for the proposed mid-Atlantic NIETC corridor are also present in the analyses that now project transmission needs in Greene and Washington counties.

Protecting local resources

The effect of new and enlarged electrical transmission infrastructure on the landscape should be minimized and mitigated. People value reliable electricity, and they also value open lands undisturbed by transmission lines. If the PUC were to find merit in constructing the proposed line, the siting process at minimum should identify those solutions that create the least degradation of wildlife habitat, productive timberland, agricultural soils, historic, and cultural resources. Where degradation would occur, every effort should be made to offset that impact on the affected resources and communities.

The Pennsylvania Land Trust Association particularly emphasizes the need to bypass conservation lands when routing new transmission. Our conserved lands, forests, parks and scenic areas are not just blank slates on which to site massive new infrastructure. Pennsylvania's public parks, preserves and private lands subject to conservation easements were meant to protect cherished places in our communities in perpetuity. Local governments have planned and people have gone about their lives assuming that these conserved resources will remain conserved, not liquidated via condemnation to become the designated sites for high voltage transmission lines. The public has a stake in the continued protection of these areas, not only because of the open space benefits received, but also because the public has often invested substantial sums to protect these areas through state and local government funding and via federal tax incentives designed to advance private conservation and the public good. Lands protected for the public good should be excluded from conversion to the private use of the energy industry.

We call upon the PUC to exercise an oversight process with the means to balance all competing considerations and to safeguard the public interest against unnecessary actions that devastate our natural and cultural resources, trample the rights and interests of our communities, and permanently despoil the Pennsylvania landscape.

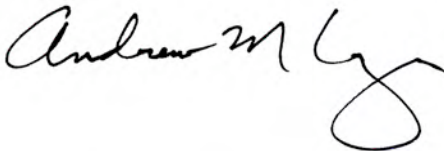
Conclusion

In addition to our concerns about flawed planning, failure to consider reasonable non-transmission alternatives and detrimental impacts on natural resources (protected and otherwise), we urge the PUC to recognize and factor into its decisions how new transmission infrastructure can:

- Deter efforts to develop alternative energy resources including energy efficiency and decentralized generation;
- Work at cross purposes to efforts which aim to responsibly address the threats of global warming and mercury deposition by facilitating increased coal-burning by older, dirtier plants to our west;
- Impose on citizens the burden of private property takings and much of the cost of building transmission lines; and
- Inappropriately commit our region to an economically and environmentally costly course of action by failing to adequately consider lower cost, non-polluting solutions and lower impact non-transmission alternatives.

We urge the PUC to select the option which best balances all competing public interests for reliable supply, protection of our irreplaceable landscapes, fair and competitive markets, public health, environmentally sensitive energy policy, and responsiveness to the concerns of affected stakeholders on the ground. Before new transmission projects are approved, it is imperative that other non-wires options be given appropriate consideration. The ramifications for the people and natural resources of Pennsylvania are too great to do otherwise.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Andrew M. Loza". The signature is fluid and cursive, with a large loop at the end of the last name.

Andrew M. Loza
Executive Director