

June 2, 2014

Via: Fed-Ex and E-Mail

Mr. Steven Herling
VP Planning
PJM Interconnection, LLC
2750 Monroe Boulevard
Audubon, PA 19403

Re: Comments on the Artificial Island Decision

Dear Mr. Herling:

As you know, we submitted proposed solution A2013_1-6A; namely, the Garden State Reliability Project (GSRP), in response to the Artificial Island Request for Proposals (RFP). It seems to us that PJM's selection process has focused largely on cost to the exclusion of other relevant factors for several competing offers. In selecting the most "efficient and cost effective transmission solution", PJM should also have considered and compared the constructability of all projects, evaluated each project's vulnerability to common mode failures, considered the market efficiency benefits of each proposal, and considered public policy drivers.¹

It is not clear how PJM will balance or weight these factors in selecting the optimal solution. From what we have seen to date, it appears that PJM has evaluated the "lower cost" proposals and made efforts to enable them to pass your performance tests, such as by adding SVCs. However, PJM has conducted only a cursory evaluation of the group of higher-cost proposals that include GSRP, and represent more robust solutions without added help from PJM. Failure to accord all competing proposals the same level of attention translates into inadequate transparency and, although we believe this is not an intended result of PJM's process, unfair discrimination.

Cost is a relevant factor but should not be considered the most significant or the only relevant factor. If the least expensive solution is faced with delay due to permitting obstacles, or it occupies existing rights of way that would lead to unacceptable risks of common mode failure, this solution would be a poor choice. In addition, if a high-cost solution also provides offsetting market efficiency benefits it may on a net basis be less costly to ratepayers than a project with a lower nominal price tag. Finally, projects that improve black start performance at AI, improve operating flexibility, or support other reliability needs (e.g., addressing the retirement of the Oyster Creek plant and reducing exposure to common-mode failures) should be identified and these benefits should be weighed in the selection process. PJM cannot make a fair, transparent selection until it has fully evaluated all the AI solution proposals fully on a comparable basis.

¹ See, PJM Answer in Docket No. ER13-198-000 at 10 relied upon by the FERC in approving PJM's Order No. 1000 Compliance Filing. *142 FERC* ¶ 61,214, at P 110, FN 216 (March 22, 2013).

Accordingly, we request the decision on Artificial Island be delayed until your staff has conducted a thorough and transparent evaluation of all the proposals in a comparable manner.

Thank you for your attention and consideration.

Sincerely,



Robert L. Mitchell

President, Atlantic Grid Holdings LLC

cc: Dianne Solomon, President, New Jersey Board of Public Utilities
Terry Boston, President and CEO, PJM Interconnection
Michael Kormos, Executive Vice President – Operations, PJM Interconnection
Mohamed El-Gasseir, Atlantic Grid Holdings LLC
Patricia Esposito, Atlantic Grid Holdings LLC