

ORGANIZATION OF PJM STATES, INC.

Members: Delaware Public Service Commission District of Columbia Public Service Commission Illinois Commerce Commission Indiana Utility Regulatory Commission Kentucky Public Service Commission Maryland Public Service Commission Michigan Public Service Commission New Jersey Board of Public Utilities North Carolina Utilities Commission Public Utilities Commission of Ohio Pennsylvania Public Utility Commission Tennessee Regulatory Authority Virginia State Corporation Commission Public Service Commission of West Virginia		Executive Committee Members: Wendell F. Holland, President Laura Chappelle, Vice President Mark David Goss, Secretary Allen M Freifeld, Treasurer Agnes A. Yates
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November 18, 2005

Magalie R. Salas, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426
(by Electronic Filing)

Re: ***PJM Interconnection, L.L.C.*; Docket Nos. ER06-78-000; Comments of the Organization of PJM States, Inc.**

Dear Ms. Salas:

Please accept for filing in the above-referenced matter electronically filed comments of the Organization of PJM States, Inc. Service has been made upon the service list as evidenced by the attached certificate of service.

Thank you for your attention to this matter. If you have any questions in reference to this filing, please contact me at 717-787-5978.

Sincerely,

s/ John A. Levin

John A. Levin

Assistant Counsel

For: The Organization of PJM States, Inc.

Enclosures

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C.,

Docket Nos. ER06-78-000

COMMENTS OF THE ORGANIZATION OF PJM STATES, INC.

The Organization of PJM States, Inc. (“OPSI”), having previously intervened in this matter, submits its comments for the consideration of your Commission, pursuant to the notice of filing issued by your Commission on November 3, 2005 setting the time for filing of such comments on or before November 18, 2005.

1. As noted in our notice of intervention, OPSI is an organization comprised of all of the State and District utility regulatory commissions in the operational footprint area of PJM Interconnection, LLC.
2. Our member commissions have been active participants in the development of PJM Interconnection, LLC (“PJM”) as an independently governed regional transmission organization and remain keenly interested in the development of PJM, its operation of the interstate grid and development of the wholesale market.
3. On October 28, 2005, PJM Interconnection, LLC (“PJM”) filed amendments to its electric tariff proposing a new schedule for the purpose of providing funding to OPSI, a regional entity formed by all of the regulatory commissions in the PJM area. OPSI members and its executive

board have participated actively in discussions with PJM and PJM market participants regarding the formation and funding of OPSI.

4. To the extent possible, and consistent with the considerations discussed below, OPSI has sought to engage wholesale market stakeholders in the development of this funding tariff, and to address concerns raised by a minority of stakeholders over issues of financial review and accountability.
5. We have also sought to take up the challenge offered by your Commission to the States to develop regional bodies in order to improve and advance State understanding of, participation in and support of improved wholesale markets and in resolving the multiplicity of issues that are raised during the continued wholesale market development process.
6. The creation of OPSI has not been a simple or cost-free exercise. Given the diversity of interests among the 14 OPSI members located within the PJM footprint and the organizational and administrative costs of creating and maintaining a regional process, regulatory commissions have heretofore relied upon contributions from their budgets, as well as from PJM. Much of the cost of the creation and operation of OPSI are new costs for our member commissions. While such *ad hoc* support and funding has been helpful, it is ultimately unsustainable.

7. With the expansion of the PJM region to 13 states and the District of Columbia, PJM has seen an increase in the cost and complexity of maintaining relations with the regulatory bodies within its footprint. PJM has repeatedly expressed a desire that the State commissions find a way to develop a single regional organization that would provide it with a central point of discussion and contact with the State Commissions.
8. In addition to the common stake that PJM and the States have in improving regional wholesale market design and operations, the States also have jurisdictional obligations and a longstanding and critical stake in transmission planning, siting and construction. While such planning may be done regionally, all transmission siting is ultimately a local issue. States necessarily have a direct stake in the regional transmission planning process and how it affects personal and public property, land use and environmental concerns. We view OPSI as critical in helping states address regional and local issues in a collaborative fashion. To the extent that this effort is successful, it should yield direct benefits to wholesale market stakeholders, and further the policy objectives of your Commission.
9. One of the guiding principles of OPSI is that of independence from undue influence by any market participant or by PJM itself. It is recognized that PJM members and PJM itself have a legitimate interest in controlling expenditures. OPSI has sought to resolve any conflict between these two

interests by agreeing to regularly consult with the stakeholder constituted PJM Finance Committee and to maintain an open and transparent budgetary process. While the PJM finance committee will not have any power of approval or rejection of OPSI's annual budget, this tariff provides a further safeguard. In the event of an annual escalation of OPSI's funding of more than 15%, the budget will be submitted to your Commission for approval, pursuant to Section 205 of the Federal Power Act as a rate filing. (Schedule 9 – OPSI, Section (c)). This provision was drafted in response to issues and suggestions raised by PJM stakeholders during the review of the proposed funding tariff.

10. It is incorrect to characterize this tariff as providing OPSI with funds with “little or no oversight” as AMP-Ohio suggests in its November 11, 2005 *Protest* at 4. PJM, OPSI and PJM's members have and will continue to have a transparent view of OPSI's funding process, and will have an adequate remedy before your Commission in the event they wish to raise objections to a proposed budget increase of more than 15% per annum.

11. AMP-Ohio suggests that “should the Commission determine that it is appropriate for PJM to pay the OPSI expenses and to do so through the imposition of a Schedule 9 charge, it should limit the application of that charge to entities that are subject to the jurisdiction of the state agencies” How such “jurisdiction” qualification would be defined and determined is

not fleshed out by AMP – Ohio, and in any event, misses the point. Although OPSI's members are drawn from all of the state utility regulatory commissions within the PJM footprint, OPSI does not itself exercise any state jurisdictional powers.

12. Federal / state jurisdictional boundaries are complex and there is a clear need for states to work together collectively on wholesale market issues. As a prime example, the timely resolution of transmission planning and siting issues will involve both the exercise of State and Federal jurisdiction and will benefit wholesale and retail markets, and the users of the grid. The existence and operation of regional state entities such as OPSI helps to provide a forum for regional cooperation.

CONCLUSION

13. The member regulatory commissions of OPSI have created this organization in response to their own needs, as well as in response to the urging of PJM and your Commission that the States be more actively and collectively engaged in wholesale/retail market and transmission issues. The great majority of PJM's members and stakeholders have approved the proposed funding tariff that is now before your Commission.

14 Accordingly, OPSI respectfully requests that the filing be approved.

Respectfully Submitted,

s/ John A. Levin

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For: The Organization of PJM States, Inc.

Dated: November 18, 2005

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each party designated on the official service list compiled by the Secretary in Docket No. ER06-78-000.

. Dated at Harrisburg, Pennsylvania this 18th day of November, 2005.

s/ John A. Levin
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