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RE: I/M/O the Relocation and Consolidation of Atlantic City Electric Company's
Transmission System Operations Control Room
BPU Docket No. EO19070834

Dear Secretary Camacho-Welch:

On behalf of Atlantic City Electric Company ("ACE" or the "Company"), please accept these Comments in Reply to comments filed November 20, 2019 by the Division of Rate Counsel ("Rate Counsel") opposing the Company's plan to relocate ACE's transmission system control function from Mays Landing, New Jersey to a new transmission system operations facility ("TSO North Facility") to be located in Kennett Square, Pennsylvania.

ACE is disappointed that Rate Counsel has chosen to be an obstacle to progress, and to providing customers with the benefits of a demonstrably better transmission system control facility at a cost well below that of an ACE standalone facility. To be clear, no jobs will be lost for ACE employees as part of the proposed consolidation, and the prudence of cost recovery for the TSO North Facility can, and will, be reviewed by the appropriate jurisdiction in a future cost recovery filing. Rate Counsel's purported concerns are without merit and speculative, and should not be permitted to stand in the way of providing better service to New Jersey customers. ACE respectfully requests, therefore, that the Board of Public Utilities (the "Board") approve the Company's plans to relocate the transmission control function to the TSO North Facility as proposed by the Company.

Background

By way of a Petition dated July 19, 2019, the Company requested approval by the Board to consolidate ACE's transmission control function with the transmission control functions of

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Delmarva Power & Light Company (“Delmarva”) and the PECO Energy Company (“PECO”) at the TSO North Facility. In addition, ACE sought authority to purchase the TSO North Facility (including a building and adjacent parcels of land), and to own and operate it jointly with Delmarva and PECO, its affiliated public utilities, as well as authority to lease the facility on an interim basis to certain Exelon Corporation affiliates.

As explained in detail in the Company’s Petition, supporting Testimony, and numerous data responses, the relocation and consolidation of the ACE transmission control function at the TSO North Facility will enable ACE and its customers to obtain the benefits of a state-of-the-art transmission control facility at a cost that is significantly **lower** than building a comparable standalone facility for ACE. As further explained by the Company, ACE’s Mays Landing facility complies with the **minimum** standards set by the North American Electric Corporation (“NERC”) but it was not designed to withstand the threats that are emerging today or the operational needs of a modern control facility, and it cannot be cost-effectively retrofitted. The TSO North Facility will be designed and built to be secure and hardened against the changing threat landscape targeting critical infrastructure and will meet evolving needs for operator training and enhanced situational awareness. Notwithstanding Rate Counsel’s comments, ACE has demonstrated that the relocation and consolidation plan will provide significant cost and operational benefits, and is the most operationally appropriate, cost-effective, and forward-looking option for enhancing ACE’s transmission system control function.

Rate Counsel’s Comments

A. The Scope of the Board’s Jurisdiction

Rate Counsel’s comments attempt to create a controversy where none exists.¹ Rate Counsel’s arguments about the scope of the Board’s jurisdiction are an irrelevant distraction here for the simple fact that the Company has voluntarily sought the Board’s review and approval of its plans to relocate the transmission control function to the TSO North Facility. Moreover, Rate Counsel’s characterization of the Company’s request is intentionally misleading: ACE requested approval of the consolidation and relocation of the transmission control function to the TSO North Facility, and only sought a disclaimer of jurisdiction should the Board not wish to rule on the Company’s request for approval. Rate Counsel’s comments suggest ACE’s primary request was to avoid the Board’s jurisdiction: this is disappointing and demonstrably false.

B. The TSO North Facility Is Necessary and Proper for the Provision of Safe, Adequate, and Proper Service

Rate Counsel argues that there is no need to upgrade ACE’s transmission control facilities now because there are no current regulatory requirements to do so, and the Company has failed to document industry best practices or guidelines supporting the proposed upgrade.² These statements ignore the substantial evidence ACE has provided and misstate the benchmarking process the Company employed. Benchmarking against peer utilities was

¹ Rate Counsel Comments, dated November 20, 2019, at 5.

² Id. at 5-7.

performed by Exelon, and a comprehensive benchmarking report was prepared by an independent expert prior to finalizing a decision about how best to address the evolving challenges of operating a 21st century transmission system.³ Contrary to Rate Counsel's erroneous suggestion that these actions were a *post hoc* effort to justify the TSO North Facility, these activities identified and summarized current industry thinking and approaches to developing state-of-the-art transmission control facilities and were used by the Company to guide its decision-making. Further, Rate Counsel seems to argue that, by meeting minimum NERC standards, the Company has met its obligation to customers, and nothing further is required. ACE, however, does not view its role so narrowly or consider that such complacency in the face of evolving industry challenges is in the best interests of customers, the Company, or society generally. As noted in the supporting evidence provided in this proceeding, several major utilities in multiple states, including New Jersey, have already taken prudent steps to secure and modernize their TSO facilities, and have placed these facilities in service over the past several years.

C. EMP Resiliency of TSO Control Centers Is Prudent and Just One Benefit of the TSO North Facility

Rate Counsel argues that the Board should reject the TSO North Facility until such time as NERC issues guidelines on hardening systems against threats from electromagnetic pulses ("EMPs").⁴ This argument falls short on several key points, and reflects a passive, reactionary approach that is not prudent for the EMP threat given Exelon's footprint which lies between the previously demonstrated high threat target areas of New York City and the Nation's Capital.

EMP hardening of transmission control centers is a reasonable first step in the overall EMP hardening of the electric grid in North America. Many utilities in the industry have already taken the needed first step, and designed, constructed, and placed into service EMP hardened TSO control facilities, with other utilities having new facilities in progress. The transmission system is the backbone of the electric industry, and it is vital to ensure the survivability of the transmission control center after an EMP event to ensure continuity of operations and to assess and direct recovery afterwards.

Rate Counsel proposes that no action be taken until such time that specific NERC guidelines are established. This position fails to recognize that the science for EMP hardening is mature, has been utilized by the military for nearly half a century, and is clearly able to be implemented now to protect transmission control centers. The Electric Power Research Institute, the Defense Threat Reduction Agency, and the Electric Infrastructure Security Council have provided industry guidance on EMP hardening, and consultants are available to assist utilities in control center EMP protection design.

Additionally, Exelon does not agree with the conclusions reached by Rate Counsel related to the cited NERC EMP Task Force Strategic Recommendations. Contrary to Rate

³ See e.g., the detailed response to RCR-ENG-1 and the separately provided Accenture report.

⁴ Id. at 7-9.

Counsel's suggestions related to establishing specific standards or guidelines, the objective of the Task Force was to "provide front-end, high-level leadership, recommendations, and guidance to the NERC Board of Trustees on next steps based on current research."⁵ The final recommendations met this objective, and in doing so, addressed a wide range of topics in the areas of Policy, Research and Development, Vulnerability Assessments, Mitigation Guidelines, and Response and Recovery. The report encompassed the entirety of the bulk electric system including thousands of substations and lines, each with many pieces of equipment including protective relays and associated systems. Rate Counsel has quoted a section of the recommendations related to hardening individual components and incorrectly associated that statement with control centers. The reference Rate Counsel cites is in the context of the thousands of substations across North America, and the numerous components within, and is not directed to control centers.⁶ The NERC EMP Task Force Recommendations are clear that an industry focus needs to be to mitigate the effects of an EMP on Bulk Power System control centers.⁷ Exelon is taking steps now to achieve control center EMP resiliency, and these actions are consistent with the theme to strengthen the Nation's critical infrastructure against the EMP threat supported by the President in his EMP Executive Order and the Department of Homeland Security initiatives.

Additionally, this argument fails to recognize that the TSO North Facility is intended to address a broad array of potential threats to the operation of the transmission system and the transmission control facility, as well as the need for enhanced operator and support personnel training and improved situational awareness. Delaying the entire project to achieve Rate Counsel's desired degree of certainty for one element of a complex facility is irresponsible and simply does not make sense. It needlessly delays all improvements, denying the benefits of those enhancements to customers, and would require ACE to continue to utilize a facility with identified vulnerabilities. This result is not in the public interest.

D. Leaving the Transmission Operations Center in New Jersey Involves Risk

Rate Counsel suggests that relocation and consolidation of the transmission function is somehow inherently riskier than maintaining the Mays Landing facility. Specifically, Rate Counsel speculates that a single transmission control facility could be "overwhelmed" by a Geomagnetic Disturbance ("GMD"), which it argues is more likely than an EMP event. Yet, in the very next sentence, Rate Counsel quotes a NERC Task Force's conclusion that GMD events tend "not [to] affect command and control centers." Thus, Rate Counsel undercuts its own argument.

⁵ See NERC EMP Task Force Strategic Recommendations, (dated November 5, 2019) at iv.

⁶ Rate Counsel cites to page 11 of the NERC EMP Task Force Report. See Rate Counsel Comments, fn32. The report notes specifically: "Additional research and vulnerability assessments need to be completed on individual electric utility grade components to understand the gap in resilience. Once this is done, mitigation guidelines can be developed to instruct utilities on adjustments that may enhance system resiliency in a cost-effective manner."

⁷ See NERC EMP Task Force Strategic Recommendations, (dated November 5, 2019) at 11-12.

Moreover, while GMD events have the potential to impact transmission power transformers and, if severe enough, can cause reactive and low voltage conditions on the bulk power system, GMD events do not directly impact transmission control center systems, unlike an EMP event. In fact, in a GMD event having a broader view of system neutral currents flowing in transformers and seeing voltage profile behavior over larger regions provides a transmission operator with more information to assess and manage the event. Additionally, review of material provided in RCR-ENG-1 Attachment 1 shows that the proposed TSO North Facility would operate a system of comparable size (by demand) as other industry peers, thus the TSO North Facility would be aligned with other major TSO control rooms in response to large events. The Board should also note that PJM, the Regional Transmission Operator performing the functions of Balancing Authority, Transmission Operator and Reliability Coordinator, oversees and directs operation of a system of approximately 150GW via two control rooms – or – roughly five times greater per control room than that which ACE is proposing via the TSO North Facility.

Rate Counsel also speculates that having a single transmission control facility location “could be riskier than having multiple locations and make a more attractive target”⁸ This statement completely ignores the evidence the Company has presented regarding the vulnerabilities of its Mays Landing facility and how those concerns will be comprehensively addressed by the TSO North Facility. Additionally, Rate Counsel has failed to recognize the proposed consolidation will establish a **fully redundant** Mid-Atlantic South TSO control facility that will function as a hot backup for the proposed TSO North Facility, thus ensuring full continuity of operations. Given these facts, it is clear Rate Counsel has no evidence to support its speculation. ACE, on the other hand, has prepared a concrete plan and strategy for hardening its facilities: development of the state-of-the-art TSO North Facility.

Additionally, notwithstanding the availability of the fully redundant backup control facility noted above, Rate Counsel contends that there could be “an increased risk” because the transmission system operations and distribution system operations facilities are no longer in the same location. Although Rate Counsel acknowledges that the Company will have redundant communications technology, it minimizes the extent of that redundancy. As explained in detail in the responses to S-ENG-7 and S-ENG-8, there will be multiple redundant sources of communications between the distribution and transmission control functions. Moreover, ACE notes that these facilities will be fully compliant with applicable NERC requirements, which Rate Counsel has generally argued here are the relevant standards to be applied to the Company’s facilities. There are numerous examples in industry today in which transmission control rooms (sometimes as a separate transmission company) are separated from a distribution control room. Exelon has a long history of operating safely and reliably in a separated control room configuration, with Commonwealth Edison Company and PECO having operated in this manner for years. Additionally, in service today in the State of New Jersey there are examples of distribution control rooms operating separately from a transmission control room facility or over remote location distances.

⁸ Id. at 9.

E. Current Transmission Operations Center Employees

Rate Counsel states that it “has serious reservations regarding the prudence of ACE’s employee strategy and whether it complies with the intent of the employment requirements set forth in the Merger Order,”⁹ and further claims that the number of involuntary reductions due to Exelon-PHI merger integration is limited to a total of 25.¹⁰ Notwithstanding the fact that the transmission consolidation and relocation process is totally unrelated to the Exelon-PHI merger, Rate Counsel cites to a Stipulation provision that was revised and superseded (and in which Rate Counsel joined) when the resolution of the most-favored-nation (“MFN”) provision was approved by the Board. Specifically, Paragraph 20 of the March 2015 Stipulation erroneously referenced by Rate Counsel was replaced in the MFN Stipulation of October 2016 by a new commitment in Paragraph 6 as follows:

6. ACE will honor all existing collective bargaining agreements. For at least five (5) years after Merger close, Exelon shall not permit a net reduction, due to involuntary attrition as a result of the Merger integration process, in the employment levels at ACE's utility operations in New Jersey. "Involuntary attrition" includes transfer-or-quit offers where the employee decides to quit or retire rather than being transferred to a work location outside of New Jersey. For at least the first five (5) years following the consummation of the Merger, Exelon will provide current and former ACE employees compensation and benefits that are at least as favorable in the aggregate as the compensation and benefits provided to those employees immediately before April 29, 2014, or to the compensation and benefits of Exelon employees in comparable positions. . . . (Emphasis added).

Five years after the merger close would be March 2021, and the TSO North Facility is currently planned to be operational in the first quarter of 2022. Thus, the Company’s proposal is fully compliant with the merger requirements, even if those commitments were applicable here, which they are not. By way of further proof, ACE notes that it had 547 New Jersey employees when the merger closed in March 2016, and 608 New Jersey employees as of December 31, 2018.¹¹ Additionally, ACE has made clear that it will not terminate any impacted employee who does not wish to relocate to the TSO North Facility. As a result, there will be no job losses due to the proposed TSO North Facility. Clearly, the Company has fully lived up to its merger obligations (as it has done consistently since 2016), and approval of the TSO North Facility will not alter that fact.

⁹ Id. at 12.

¹⁰ Id. at 11-12.

¹¹ ACE employment levels are reported annually to the Board in Post-Merger Compliance Filings, which filings will be made for five years following the closing of the Exelon-PHI merger (i.e., March 2021). The most recently reported employment numbers are for 2018. Employment levels for 2019 will be reported in March 2020.

F. Prudency Review

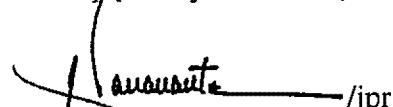
Rate Counsel “recommends” that the prudency of the costs of the TSO North Facility should be addressed in the Company’s next base rate case and in its transmission formula rates proceeding.¹² To be clear, ACE has not requested cost recovery or a prudency determination in this proceeding, and fully recognizes that prudency and cost recovery must be dealt with in a future rate proceeding. There is no dispute here, and nothing more needs to be said on this subject.

Conclusion

The Company has demonstrated that the proposed TSO North Facility is a superior alternative to developing a comparable standalone facility for ACE: it will provide benefits to customers and is efficient and cost-effective. For its part, Rate Counsel has offered little more than inconsistent, speculative and unsupported opinions. Rate Counsel’s comments are without merit. It is unfortunate that Rate Counsel has chosen to rely solely on conjecture and oppose an opportunity for New Jersey customers and the State of New Jersey to obtain the benefits of a state-of-the-art transmission facility at a fraction of its full cost. The TSO North Facility is clearly in the public interest and should be approved by the Board as the Company has requested, without the need for any of the conditions proposed by Rate Counsel. Therefore, ACE respectfully requests that the Board grant the Company’s requests as set out in detail in its Petition, and approve the Company’s plans to relocate the transmission control function to the proposed TSO North Facility. ACE further requests that the Board take this action at its December 20th public agenda meeting.

Thank you for your consideration and courtesies. Feel free to contact me with any questions or if I can be of further assistance.

Respectfully submitted,

 /jpr
Philip J. Rasanante
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cc: Service List

¹² Id. at 12-13.

IN/M/O the Relocation and Consolidation of Atlantic City Electric Company's Transmission System Operations Control Function
BPU Docket No. EO19070834

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