



**Federal Energy Regulatory Commission
April 19, 2007
Open Commission Meeting
Talking Points of
Commissioner Suedeen G. Kelly**

Item E-8: PJM Interconnection, L.L.C. (Docket Nos. EL05-121-000 and EL05-121-002)

"This case largely arose due to the circumstances of American Electric Power Corporation.

Basically, PJM's zonal rates leave AEP customers paying for most of its existing extra-high voltage (765 kV) transmission system even though that system really is the backbone of a much larger region and benefits many others.

I believe that one of the most important benefits of the action we are taking today is that it appropriately recognizes the very broad regional benefits of new transmission facilities at 500 kV and above by granting them a single postage rate that will spread their costs broadly.

These backbone facilities really make the market by bringing generation buyers and sellers together over large regions.

Encouraging this type of transmission investment also brings cumulative benefits to the whole grid as lower voltage systems in contact with this backbone must be strengthened to accommodate it.

Therefore, such investments in high-voltage backbone facilities will both support competitive markets and ultimately lead to a more reliable system in general.

There are complex issues in play here, including the need to provide regulatory certainty and avoid rate shocks and upheaval as much as possible.

I believe these two orders accomplish that task appropriately and have arrived at a just and reasonable solution.

Accordingly, I am pleased to vote for both E-8 and E-23.

Thank you"