

**Exhibit No. AMF-6**

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Electric Transmission Incentives Policy  
Under Section 219 of the Federal Power Act

Docket No. RM20-10-000

**Affidavit of Ali Al-Jabir**

On behalf of

**American Manufacturers**

July 1, 2020

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**Affidavit of Ali Al-Jabir**

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**AFFIDAVIT**  
**OF ALI AL-JABIR**

**July 1, 2020**

**SUMMARY**

1           In this Affidavit, I address two main areas: a) that the FERC’s existing  
2 transmission incentives policy has led to the construction of significant amounts of  
3 new transmission through the transmission expansion processes of FERC-  
4 jurisdictional regional transmission organizations (“RTOs”) and through transmission  
5 construction pursuant to local utility planning processes; and b) expanded reliance on  
6 competitive bid processes for new transmission construction provides a superior  
7 means of incentivizing such construction relative to giving additional return on equity  
8 (“ROE”) incentives to incumbent utilities as suggested in the Incentives NOPR.

9           My Affidavit contains the following findings and conclusions:

- 10           ➤ There is insufficient evidence to conclude that additional administrative  
11 ROE incentives must be provided to incumbent utilities to induce new  
12 transmission investment in the areas identified in the Incentives NOPR.
- 13           ➤ Significant amounts of new transmission investment have been added  
14 in the U.S. over the past several years under the current FERC policy  
15 framework. Such investment includes numerous projects designed to  
16 enhance system reliability, to integrate new generation into the grid and  
17 to support load growth. Moreover, existing RTO transmission  
18 expansion policies explicitly incorporate the need to accommodate  
19 factors such as integration of new generation technologies, vehicle  
20 electrification and load growth that the FERC relies upon to support the  
21 need to revamp its existing incentives policy. This evidence cast  
22 serious doubt on the need to grant additional ROE incentives to  
23 accomplish the FERC’s stated policy goals that are driving the changes  
24 proposed in the Incentives NOPR.
- 25           ➤ The evidence shows that FERC-jurisdictional ISOs and RTOs made  
26 over \$75 billion in transmission investments over the period

1 2013-2017. Moreover, FERC-jurisdictional ISOs and RTOs approved  
2 approximately \$40 billion in transmission investments over the period  
3 2012-2017. This evidence underscores the fact that there are no  
4 obstacles to transmission investment under the current regulatory  
5 paradigm that merit an increase in administratively-induced ROE  
6 incentives of the kind proposed in the Incentives NOPR.

7 ➤ ROE incentives come at a cost to ratepayers that is unnecessary if there  
8 are alternative means of incentivizing new transmission construction to  
9 meet the FERC's policy goals. An effective means of incentivizing  
10 new transmission investment while controlling the cost of transmission  
11 construction is to expand efforts to harness the forces of competition  
12 for new transmission projects.

13 ➤ Competition, rather than administratively-induced ROE incentives to  
14 incumbent utilities, is the most efficient means of incenting  
15 transmission investment and delivering value to the grid and to  
16 consumers at the lowest reasonable cost.

17 ➤ The experience to date has demonstrated that competitive bidding for  
18 new transmission construction has resulted in vigorous competition and  
19 has produced significant cost savings for customers relative to the  
20 initial RTO cost estimate for the construction of the projects.  
21 Moreover, competitive forces have incited bidders in these  
22 solicitations to offer innovative cost containment solutions such as caps  
23 on construction costs, caps on ROE and limitations on the equity  
24 component of the capital structure.

25 ➤ The current limitations on the scope of competition for new  
26 transmission investment stem from a number of restrictions on the  
27 eligibility of transmission projects for competitive bidding under  
28 current FERC policies. The FERC should focus its transmission  
29 incentive policy initiative on opportunities to expand the scope of  
30 competition for new transmission investment in order to bring the  
31 discipline of competitive market forces to these projects and to provide  
32 a cost-effective and efficient means of incentivizing transmission  
33 construction in lieu of granting additional ROE incentives to the  
34 incumbent utilities.



1 Rulemaking regarding electric transmission incentives policy that the FERC issued in  
2 Docket No. RM20-10-000.<sup>1</sup>

3 2. Appendix A to this Affidavit was prepared under my direction and control. It  
4 is part of my Affidavit.

5 3. I conclude the following in this Affidavit:

6 ➤ There is insufficient evidence to conclude that additional administrative  
7 ROE incentives must be provided to incumbent utilities to induce new  
8 transmission investment in the areas identified in the Incentives NOPR.

9 ➤ Significant amounts of new transmission investment have been added  
10 in the U.S. over the past several years under the current FERC policy  
11 framework. Such investment includes numerous projects designed to  
12 enhance system reliability, to integrate new generation into the grid and  
13 to support load growth. Moreover, existing RTO transmission  
14 expansion policies explicitly incorporate the need to accommodate  
15 factors such as integration of new generation technologies, vehicle  
16 electrification and load growth that the FERC relies upon to support the  
17 need to revamp its existing incentives policy. This evidence cast  
18 serious doubt on the need to grant additional ROE incentives to  
19 accomplish the FERC's stated policy goals that are driving the changes  
20 proposed in the Incentives NOPR.

21 ➤ The evidence shows that FERC-jurisdictional ISOs and RTOs made  
22 over \$75 billion in transmission investments over the period  
23 2013-2017. Moreover, FERC-jurisdictional ISOs and RTOs approved  
24 approximately \$40 billion in transmission investments over the period  
25 2012-2017. This evidence underscores the fact that there are no  
26 obstacles to transmission investment under the current regulatory  
27 paradigm that merit an increase in administratively-induced ROE  
28 incentives of the kind proposed in the Incentives NOPR.

29 ➤ ROE incentives come at a cost to ratepayers that is unnecessary if there  
30 are alternative means of incentivizing new transmission construction to  
31 meet the FERC's policy goals. An effective means of incentivizing  
32 new transmission investment while controlling the cost of transmission

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<sup>1</sup>Federal Energy Regulatory Commission, *Electric Transmission Incentives Policy Under Section 219 of the Federal Power Act*, Docket No. RM20-10-000, March 20, 2020 ("Incentives NOPR").

1 construction is to expand efforts to harness the forces of competition  
2 for new transmission projects.

3 ➤ Competition, rather than administratively-induced ROE incentives to  
4 incumbent utilities, is the most efficient means of incenting  
5 transmission investment and delivering value to the grid and to  
6 consumers at the lowest reasonable cost.

7 ➤ The experience to date has demonstrated that competitive bidding for  
8 new transmission construction has resulted in vigorous competition and  
9 has produced significant cost savings for customers relative to the  
10 initial RTO cost estimate for the construction of the projects.  
11 Moreover, competitive forces have incented bidders in these  
12 solicitations to offer innovative cost containment solutions such as caps  
13 on construction costs, caps on ROE and limitations on the equity  
14 component of the capital structure.

15 ➤ The current limitations on the scope of competition for new  
16 transmission investment stem from a number of restrictions on the  
17 eligibility of transmission projects for competitive bidding under  
18 current FERC policies. The FERC should focus its transmission  
19 incentive policy initiative on opportunities to expand the scope of  
20 competition for new transmission investment in order to bring the  
21 discipline of competitive market forces to these projects and to provide  
22 a cost-effective and efficient means of incentivizing transmission  
23 construction in lieu of granting additional ROE incentives to the  
24 incumbent utilities.

25 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

26 A I am appearing on behalf of the American Manufacturers, as identified in the  
27 Comments.

28 **Q WHAT IS THE PURPOSE OF YOUR AFFIDAVIT?**

29 A My Affidavit addresses two main areas: a) that the FERC's existing transmission  
30 incentives policy has led to the construction of significant amounts of new  
31 transmission through the transmission expansion processes of FERC-jurisdictional

1 regional transmission organizations (“RTOs”) and through transmission construction  
2 pursuant to local utility planning processes; and b) expanded reliance on competitive  
3 bid processes for new transmission construction provides a superior means of  
4 incentivizing such construction relative to giving additional return on equity (“ROE”)  
5 incentives to incumbent utilities as suggested in the Incentives NOPR.

6 **II. BACKGROUND**

7 **Discussion of the Policy Drivers for the ROE Incentives Proposal**

8 4. In the Incentives NOPR, the FERC proposes several reforms to its  
9 transmission incentives policy. Such reforms include applying a net benefits test to  
10 establish eligibility for ROE incentives, an increase in the RTO incentive adder from  
11 50 to 100 basis points, the introduction of new incentives for the deployment of new  
12 transmission technologies and a 250 basis points cap for all ROE incentives.

13 5. The Incentives NOPR acknowledges that transmission infrastructure  
14 development has generally remained robust. Moreover, the Incentives NOPR states  
15 that it is encouraged by the investment in transmission infrastructure to date.<sup>2</sup>  
16 Nevertheless, the Incentives NOPR perceives a need to change its incentives policy  
17 and to provide additional ROE incentives for the construction of new transmission  
18 projects. The Incentives NOPR asserts that changes to its incentives policy are needed  
19 to integrate existing and new technologies, such as renewables, natural gas, electric  
20 storage and distributed energy into the transmission grid. Moreover, the Incentives  
21 NOPR states that changes to the existing incentives policy are needed to ensure the

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<sup>2</sup>Incentives NOPR at PP 26 and 31.

1 construction of new transmission that can adapt to changes in load patterns resulting  
2 from the electrification of industries such as transportation and agriculture. The  
3 Incentives NOPR also contends that policy changes are needed to better target  
4 incentives to transmission projects that demonstrate economic benefits.<sup>3</sup>

### III. ANALYSIS

#### **Transmission Investment Is Robust Under the Current Incentive Structure**

7 6. The Incentives NOPR acknowledges that transmission development is robust  
8 under the existing incentive structure, but nevertheless argues that new and additional  
9 incentives are needed to ensure that sufficient new transmission investment is  
10 undertaken to facilitate the integration of new technologies into the grid and to support  
11 potential load growth. The evidence shows that significant amounts of new  
12 transmission investment has been added in the U.S. over the past several years under  
13 the current FERC policy framework. Such investment includes numerous projects  
14 designed to enhance system reliability, to integrate new generation into the grid and to  
15 support load growth. Moreover, existing RTO transmission expansion policies  
16 explicitly incorporate the need to accommodate factors such as integration of new  
17 generation technologies, vehicle electrification, and load growth, on which the  
18 Incentives NOPR relies to support the need to revamp the existing incentives policy.  
19 This evidence raises serious doubts with respect to the need to grant additional ROE  
20 incentives to accomplish the FERC's stated policy goals that are driving the incentive  
21 changes proposed in the Incentives NOPR.

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<sup>3</sup>Incentives NOPR at 15 - 19.

1           7.       Currently, FERC-jurisdictional RTOs engage in a regional transmission  
2           planning process at regular intervals to evaluate the need for new transmission  
3           projects. These projects are evaluated in response to multiple drivers such as the need  
4           to preserve system reliability, to reduce grid congestion, to interconnect new  
5           generation to the grid, to accommodate load growth and to replace aging  
6           infrastructure. These regional planning processes typically incorporate forecasts of  
7           generation additions and load growth that reflect a range of assumptions regarding  
8           future changes to the generation fleet in the region. The futures scenarios that are  
9           analyzed include scenarios that assume the aggressive expansion of renewable  
10          generation, distributed generation and vehicle electrification. The RTOs rely on these  
11          futures scenarios to model the benefits associated with the addition of new  
12          transmission facilities. Moreover, for projects that are driven by the need to provide  
13          congestion relief to accommodate more efficient economic generation dispatch, the  
14          current RTO transmission expansion planning processes evaluate the estimated  
15          benefits of new transmission projects relative to their costs to ensure that new  
16          economic transmission projects provide projected benefits in excess of their costs  
17          under a range of futures scenarios. Typically, the projected benefits of such projects  
18          must exceed their estimated costs by a ratio of 1.25 to 1.0 or greater.

19          8.       A case in point is the Midcontinent Independent System Operator, Inc.'s  
20          ("MISO's") transmission expansion plan process. In evaluating the need for new  
21          transmission projects to accommodate future changes in the generation mix within its  
22          footprint, MISO currently relies on four futures scenarios. Only one of the four  
23          scenarios assumes limited change to the existing generation fleet. The remaining three

1 futures either assume continued integration of renewable resources based on historical  
2 trend rates or more accelerated deployment of renewables, demand-side resources,  
3 distributed generation and storage resources relative to historical trends. Proposed  
4 transmission projects are modeled against these four futures scenarios to ensure that  
5 the proposed project is robust enough to be viable and can provide net benefits to  
6 customers, with a benefit to cost ratio of 1.25 to 1.0 under a weighted average of the  
7 futures scenarios.<sup>4</sup> MISO also engages in a transmission congestion planning study  
8 process to evaluate congestion within its footprint that could be alleviated through new  
9 transmission construction. The potential benefits of proposed transmission projects  
10 are evaluated using production cost modeling scenarios with and without the addition  
11 of the proposed transmission project. Moreover, MISO's selection of futures  
12 scenarios and its modeling of potential transmission projects is evaluated through a  
13 stakeholder process that provides all interested parties an opportunity to vet MISO's  
14 modeling and analyses to ensure that candidate transmission projects are viable under  
15 a range of system contingencies and potential futures.

16 9. Relying on this transmission expansion plan process, \$23 billion in  
17 transmission projects have been constructed in the MISO region since 2003. MISO's  
18 2019 transmission expansion plan ("MTEP19") approved almost \$4 billion in new  
19 transmission projects for a single transmission planning cycle.<sup>5</sup> These projects include  
20 substantial investments to integrate new generation and to preserve system reliability,  
21 consistent with the standards of the North American Electric Reliability Corporation

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<sup>4</sup>MISO's 2019 Transmission Expansion Plan Report ("MTEP19 Report") at page 34.

<sup>5</sup>MTEP19 Report at page 3.

1 (“NERC”). Past MISO transmission plans have included Market Efficiency Projects  
2 (“MEPs”) that reduce market congestion and provide net economic benefits to MISO  
3 customers in excess of their costs. In addition, MISO approved the construction of  
4 17 Multi-Value Projects in 2011 that were driven by a combination of benefits,  
5 including not only economic and reliability benefits but also public policy benefits in  
6 the form of the integration of new renewable generation into the transmission grid.<sup>6</sup>  
7 The MISO MTEP19 transmission expansion plan also includes large transmission  
8 investments by individual transmission owners that are developed through local utility  
9 planning processes as solutions to local transmission issues identified by the  
10 individual transmission owners outside of the regional MISO planning process. These  
11 “Other Projects,” which constituted 72% or \$2.8 billion of the overall MISO  
12 transmission investment for the MTEP19 planning cycle, are driven by needs  
13 including preserving system reliability, accommodating load growth and replacing or  
14 upgrading aging transmission infrastructure.<sup>7</sup> This substantial amount of regional and  
15 local transmission investment is occurring under existing RTO and local utility  
16 transmission ROE policies. While a range of reliability, economic efficiency and  
17 public policy factors influence the need for these investments, much of the investment  
18 is driven, at least in part, by the factors that are identified in and appear to be  
19 motivating the Incentives NOPR, such as the need to integrate new generation  
20 technologies, the provision of net economic benefits to customers and the need to  
21 integrate new generation technologies.

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<sup>6</sup>Ibid. at page 3.

<sup>7</sup>Ibid at page 16.

1           10.    It is important to note that the RTO transmission expansion plans are not  
2           merely advisory in nature.  Rather, they create an obligation on the part of member  
3           transmission owners to work in good faith to construct and put into service the  
4           projects that are approved in these expansion plans.  For example, the MISO Tariff  
5           makes it clear that the designated transmission owner (or a selected competitive third  
6           party developer) for a transmission project “has the responsibility and obligation to  
7           construct the facilities that it is designated to construct” pursuant to the terms of the  
8           Independent System Operator (“ISO”) agreement between MISO and the individual  
9           transmission owners within the MISO footprint.<sup>8</sup>  Thus, barring other impediments to  
10          project construction such as siting complications, the individual transmission owners  
11          are obligated to ensure timely construction of transmission projects that are approved  
12          under the expansion plan.  All of this new transmission construction has been  
13          undertaken under the existing transmission incentive policies and is subject to the  
14          obligation of transmission owners to construct approved projects.

15          11.    This volume of transmission expansion to accommodate various drivers  
16          including system reliability, load growth, congestion reduction, market efficiency and  
17          integration of new generation technologies is by no means limited to MISO.  A recent  
18          report from the Brattle Group found that transmission owners in FERC-jurisdictional  
19          ISOs and RTOs made over \$75 billion in transmission investments over the period  
20          2013-2017.  The \$75 billion figure is based on all transmission investments reported  
21          by these utilities in their FERC Form 1 reports.  Moreover, the Brattle Group  
22          calculated that FERC-jurisdictional ISOs and RTOs approved approximately

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<sup>8</sup>MISO ISO Agreement, Appendix B, Planning Framework.

1           \$40 billion in transmission investments over the period 2012-2017. For MISO, the  
2           ISO-approved investment amount reported by the Brattle Group is limited to projects  
3           that were approved in a MISO transmission expansion plan and that have been placed  
4           into service as reported in MISO’s in-service project list. For PJM, the amount of  
5           RTO-approved investment excludes Supplemental and transmission owner initiated  
6           projects. For California, the ISO-approved investment amount only covers the three  
7           largest investor-owned utilities in the state.<sup>9</sup> All of this evidence underscores the fact  
8           that there are no obstacles to transmission investment under the current regulatory  
9           paradigm that merit an increase in administratively-induced ROE incentives of the  
10          kind proposed in the Incentives NOPR.

11          **Competition Is Superior to**  
12          **Administrative Incentives for Transmission Investment**

13          12. The Incentives NOPR is largely premised on the notion that it is necessary to  
14          provide additional ROE incentives to incumbent transmission utilities in order to  
15          ensure that sufficient transmission is constructed to meet the policy objectives of  
16          integrating new generation technologies and accommodating load growth. However,  
17          these ROE incentives come at a significant cost to ratepayers that is unnecessary if  
18          there are alternative means of incentivizing new transmission construction to meet the  
19          FERC’s policy goals. An effective means of incentivizing new transmission  
20          investment, while controlling the cost of transmission construction, is to expand  
21          efforts to harness the forces of competition for new transmission projects.

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<sup>9</sup>The Brattle Group, *Cost Savings Offered by Competition in Electric Transmission – Experience to Date and the Potential for Additional Customer Value*, April 2019, Tables 1 and 21 (“Brattle Report”).

1 Competition, rather than administratively-induced incentives to incumbent utilities, is  
2 the most efficient means of incenting transmission investment and delivering value to  
3 the grid and to consumers at the lowest reasonable cost. Administratively-induced  
4 incentives of the kind proposed in the Incentives NOPR will unnecessarily inflate the  
5 cost of transmission investment to consumers and stifle competition by increasing the  
6 incentives that the incumbent utilities already have to favor self-build projects that  
7 expand their own rate base through new transmission projects.

8 13. The FERC's current policy toward competition for new transmission  
9 construction is set forth in Order No. 1000. In that order, the FERC removed federal  
10 rights of first refusal for transmission projects selected in an RTO's regional  
11 transmission plan for purposes of cost allocation.<sup>10</sup> Subject to certain limitations, this  
12 directive effectively means that RTOs are required to subject new transmission  
13 projects to a competitive bid process where such projects are selected through the  
14 regional planning process and the costs of the projects are regionally allocated outside  
15 the local transmission pricing zone where the transmission project is sited.

16 14. Competition for new transmission construction creates powerful incentives for  
17 transmission companies to propose innovative solutions to deploy new transmission  
18 technologies and to do so in a manner that minimizes the cost of new transmission  
19 projects to end-use customers. There are several independent transmission companies  
20 that are actively competing against incumbent utilities for new transmission projects  
21 where FERC policy permits competitive bidding for new transmission projects.  
22 Indeed, in the competitive RTO transmission solicitations that have occurred to date,

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<sup>10</sup>Order No. 1000, 136 FERC ¶ 61,051 at P 7.

1 the evidence shows that independent transmission developers have been willing to  
2 offer ROE limitations and project cost caps that minimize the cost of new transmission  
3 construction relative to the RTO's project cost estimate. The experience to date has  
4 demonstrated that competitive bidding for new transmission constructed has resulted  
5 in vigorous competition that has produced significant cost savings for customers  
6 relative to the initial RTO cost estimate for the construction of the projects. Increased  
7 reliance on such competitive forces would allow the FERC to achieve the policy goals  
8 articulated in the Incentives NOPR in a least-cost manner, without adding new ROE  
9 incentives for incumbent utilities that come at a significant cost to customers.

10 15. Indeed, the Brattle Report surveyed 31 competitive transmission solicitations  
11 in FERC-jurisdictional ISOs and RTOs since 2013 and concluded that these  
12 competitive bid processes consistently resulted in significant savings relative to the  
13 RTO/ISO cost estimate for the project or relative to the cost of the proposals submitted  
14 by the incumbent utilities. For example, for the projects surveyed, estimated cost  
15 savings in these competitive solicitations were 15% in MISO, 50% in the Southwest  
16 Power Pool ("SPP"), 22% in the New York ISO ("NYISO"), and as high as 60% for  
17 the Artificial Island Project in the PJM Interconnection, LLC ("PJM").<sup>11</sup> The Brattle  
18 Report specifically reviewed two competitive solicitations for new transmission  
19 projects in MISO and found the solicitations resulted in healthy competition involving  
20 11 or 12 bidders. Moreover, the bids included many innovative solutions to ensure  
21 cost savings for customers, including various forms of cost caps. Notably, **the**  
22 **proposals included ROE caps and caps on the equity component of the capital**

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<sup>11</sup>Brattle Report at pp. 30-32.

1 structure, showing that bidders were willing and able to construct new  
2 transmission projects to meet the needs of the planning region without the need  
3 for the types of ROE incentives proposed in the Incentives NOPR.<sup>12</sup>

4 16. A specific example of the efficacy of relying on competition to incentivize  
5 efficient transmission investment while limiting costs to consumers can be found in  
6 the Duff-Coleman 345 kV MEP that was competitively bid in MISO. The winning  
7 bidder for that project agreed to several binding commitments that resulted in the  
8 construction of new transmission facilities to provide economic benefits to consumers  
9 while minimizing the associated capital and construction costs. For example, the  
10 winning bidder agreed to a total cap on rate base costs that was below MISO's original  
11 cost estimate for the project and also agreed to forego construction work in progress  
12 ("CWIP") for the project. Of direct relevance to the Incentives NOPR, the winning  
13 bidder agreed to an ROE cap and a limitation on the equity percentage of its  
14 capital structure. Moreover, in stark contrast to the Incentives NOPR's  
15 approach of providing additional ROE incentives to incumbent utilities, the  
16 winning bidder agreed to a penalty structure that imposed reductions to its  
17 project-specific ROE if it failed to meet the project in-service date specified in its  
18 agreement with MISO.<sup>13</sup> The efficacy of these contractual commitments is  
19 demonstrated by the fact that Republic Transmission completed the Duff-Coleman  
20 project in June 2020, more than six months ahead of the scheduled January 2021

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<sup>12</sup>Ibid at page 35.

<sup>13</sup>Duff-Coleman EHV 345kV Competitive Transmission Projects, *Second Amended and Restated Developer Agreement By and Between Republic Transmission, LLC and Midcontinent Independent System Operator, Inc.*, Appendix A, Section A.3.

1 in-service date, resulting in the timely completion of a transmission project that  
2 provides more than \$1 billion in estimated economic benefits to customers without the  
3 need for the additional ROE incentives proposed by the FERC.<sup>14</sup>

4 17. Based on the experience with competitive solicitations to date, the Brattle  
5 Report estimates that competition for new transmission construction could generate  
6 cost savings for customers in the range of \$4.4 billion to \$9 billion over a five-year  
7 period. The Brattle Report states that the high-end savings estimate of \$9 billion could  
8 be realized if 33% of total transmission investment was developed competitively and  
9 generated average savings of 30%.<sup>15</sup> The Brattle Report further demonstrates that  
10 there is ample opportunity to expand the application of competitive forces to new  
11 transmission construction in order to incentivize the build-out of new transmission in a  
12 least-cost fashion for the benefit of end-use customers. Indeed, the Brattle Report  
13 found that, for the years 2013-2017, only 3% of the average total transmission  
14 investment in FERC-jurisdictional ISOs and RTOs was subject to competitive bid  
15 processes.<sup>16</sup>

16 18. The current limitations on the scope of competition for new transmission  
17 investment stem from a number of restrictions on the eligibility of transmission  
18 projects for competitive bidding under current FERC policies. One significant  
19 limitation relates to the fact that the FERC's competitive bidding requirement has  
20 generally excluded transmission projects that are locally planned by the incumbent

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<sup>14</sup>MISO Press Release, *New Member Company Republic Transmission Energized Their First Line This Month*, June 11, 2020.

<sup>15</sup>Ibid at page 13.

<sup>16</sup>Ibid at page 19.

1 utilities outside of the full RTO regional planning process. In fact, the Brattle Report  
2 shows that, on average, 47% of the total transmission investment within the  
3 FERC-jurisdictional ISO and RTO regions over the past several years has occurred  
4 with limited review by the applicable RTO or ISO.<sup>17</sup> As noted earlier, the FERC's  
5 competition directive in Order No. 1000 specifically applies to transmission projects  
6 selected in an RTO's regional transmission plan for purposes of cost allocation. This  
7 generally leads to the exclusion of locally planned transmission projects from the  
8 competitive bidding requirement.

9 19. A related restriction on the application of competitive forces to new  
10 transmission construction is the exclusion of projects that are allocated exclusively to  
11 the local transmission zone where they are sited. In MISO, for example, this  
12 restriction has effectively excluded all Baseline Reliability Projects and all sub-345 kV  
13 economic projects (designated as "Other Projects") from competitive bid  
14 requirements.<sup>18</sup> In PJM, transmission projects that are constructed to meet local utility  
15 planning requirements and designated as "Supplemental Projects" are also exempt  
16 from the competitive bidding requirements of Order 1000. Other exclusions from  
17 competitive bidding in PJM include sub-200 kV projects and substation equipment.  
18 Order 1000 also generally excludes upgrades to existing facilities from the competitive  
19 bidding process. These restrictions on competitive bidding apply even when the  
20 evidence demonstrates that the benefits of these transmission projects extend outside

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<sup>17</sup>Ibid at page 25.

<sup>18</sup>MISO has submitted a filing to the FERC to reduce the MEP voltage threshold from 345 kV to 230 kV in Docket Nos. ER20-1723-000 and ER20-1724-000, but MISO's proposal would continue to exempt sub-230 kV economic projects from competitive bidding.

1 of the local transmission zone where the projects are sited. For example, the  
2 restriction on competitive bidding for economic projects in MISO is based purely on a  
3 voltage level threshold and does not consider the actual distribution of economic and  
4 other benefits on a project-specific basis.

5 20. Moreover, the FERC has permitted ISO New England, Inc. (“ISO-NE”), PJM  
6 and SPP to exclude transmission projects from competitive bidding if it can be  
7 demonstrated that the projects must be placed into service within 36 months for  
8 reliability reasons. This exclusion is generally labeled the Immediate Need Reliability  
9 Exemption.

10 21. The aforementioned restrictions have led to excluding a large amount of  
11 transmission investment from competitive bidding requirements and has also created  
12 incentives to expand the amount of projects that are excluded from these requirements.  
13 A case in point is the fact that the introduction of competitive bidding under Order  
14 1000 has led to exponential growth in transmission investment in MISO and PJM that  
15 is planned by local utilities and that remains outside the competitive bidding  
16 requirement. In PJM, the Independent Market Monitor (“IMM”) recently reported that  
17 the average number of Supplemental Projects in each expected in-service year  
18 increased by 720% from 20 projects for the period 1998-2007 to 164 projects for the  
19 years 2008-2020. The average cost of Supplemental Projects has exploded at an even  
20 higher rate of 2,106% from the period 1998-2007 to the period 2008-2020.<sup>19</sup> As  
21 shown in the table below, a review of MISO’s recent transmission expansion plan

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<sup>19</sup>Monitoring Analytics, 2020 State of the Market Report for PJM: January through March, May 14, 2020, pages 614 and 616 (“IMM Report”).

1 reports shows that the approved Other Projects that are exempt from competitive  
 2 bidding have increased at a compound annual growth rate of almost 48% over the  
 3 2015-2019 time frame.

**Approved MISO Other<sup>6</sup> Projects by Planning Year (\$M)<sup>1</sup>**

	2015 <sup>2</sup>	2016 <sup>3</sup>	2017 <sup>4</sup>	2018 <sup>5</sup>	2019 <sup>6</sup>	Compound Annual Growth Rate
MISO Other Projects	\$1,381	\$1,747	\$1,393	\$2,317	\$2,681	
Cumulative	\$1,381	\$3,128	\$4,521	\$6,838	\$9,719	47.75%
Cumulative Year Over Year Growth		127%	45%	51%	42%	

<sup>1</sup>MTEP19 describes "Other" projects as "projects that do not qualify as Baseline Reliability Projects, New Transmission Access Projects, Targeted Market Efficiency Projects, Market Efficiency Projects, or Multi-Value Projects"

- 1. Values do not take into account project withdrawals or cancellations from prior planning years (ie they represent gross approval estimates rather than net).
- 2. MTEP15 Executive Summary, Table 1.1-1, p. 3
- 3. MTEP16 Book 1 Transmission Studies, Table 2.1-1, p. 4
- 4. MTEP17 Book 1 Transmission Studies, Table 2.1-1, p. 6
- 5. MTEP18 Book 1 Transmission Studies, Table 2.1-1, p. 6
- 6. MTEP19 Executive Summary and Report, Table 1.3-4, p. 30

4 22. The foregoing discussion highlights the fact that there are numerous exclusions  
 5 that are being used to restrict competitive bidding for a large portion of new  
 6 transmission construction under current FERC policy. As demonstrated by the  
 7 concrete experience of MISO with regard to competitive bidding for MEPs, the FERC  
 8 can create powerful incentives for new transmission construction by expanding the  
 9 application of competitive forces to projects that are currently subject to these  
 10 exclusions. A policy approach that emphasizes the expansion of competitive  
 11 opportunities would allow the FERC to attain its stated policy goals for transmission  
 12 investment in a manner that encourages cost-effective and innovative solutions to  
 13 transmission needs, without relying on additional, administratively determined ROE  
 14 incentives to the incumbent utilities to achieve these goals.

1           23.    The FERC should focus its transmission incentive policy initiative on  
2           opportunities to expand the scope of competition for new transmission investment in  
3           order to bring the discipline of competitive market forces to these projects. This  
4           would be a more cost-effective and efficient means of incentivizing transmission  
5           construction in lieu of granting additional ROE incentives to the incumbent utilities.

6    **Q        DOES THIS CONCLUDE YOUR AFFIDAVIT?**

7    **A        Yes.**

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**Qualifications of Ali Al-Jabir**

1    **Q    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2    A    Ali Al-Jabir. My business address is 5151 Flynn Parkway, Suite 412 C/D, Corpus  
3    Christi, Texas, 78411.

4    **Q    WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

5    A    I am a consultant in the field of public utility regulation and an Associate with the firm  
6    of Brubaker & Associates, Inc. (“BAI”).

7    **Q    PLEASE STATE YOUR EDUCATIONAL BACKGROUND.**

8    A    I am a graduate of the University of Texas at Austin (“UT-Austin”). I hold the  
9    degrees of Bachelor of Arts and Master of Arts in Economics, both from UT-Austin. I  
10   have also completed course work at Harvard University. I received my B.A. degree  
11   with highest honors, and I am a member of the Phi Beta Kappa Honor Society.

12   **Q    PLEASE STATE YOUR EXPERIENCE.**

13   A    I joined BAI in January 1997. My work consists of preparing economic studies and  
14   economic policy analysis related to investor-owned, cooperative, and municipal  
15   utilities. Prior to joining BAI, I was employed at the Public Utility Commission of  
16   Texas (“Texas Commission”) since 1991, where I held various positions including  
17   Policy Advisor to the Chairman. As Policy Advisor, I advised the Chairman on policy  
18   decisions in numerous rate and rulemaking proceedings. In 1995, I advised the Texas

1           Legislature on the development of the statutory framework for wholesale competition  
2           in the Electric Reliability Council of Texas (“ERCOT”), and I was involved in  
3           subsequent rulemakings at the Texas Commission to implement wholesale open  
4           access transmission service in the region.

5           During my tenure at the Texas Commission and in my present capacity, I have  
6           reviewed and analyzed several electric utility base rate and fuel filings in Texas. I  
7           have also worked on utility rate, fuel, and merger proceedings and rulemakings in  
8           Virginia, Missouri, Colorado, Indiana, Alberta, Pennsylvania, North Carolina, South  
9           Carolina, Michigan and Nova Scotia. In addition to my work on such proceedings, I  
10          have drafted policy papers, comments and affidavits regarding electric industry  
11          restructuring, competitive policy and market design issues in Texas, Alabama,  
12          Louisiana, Georgia, and Delaware, as well as before the Federal Energy Regulatory  
13          Commission. I have been an invited speaker at several electric utility industry  
14          conferences, and I have presented seminars on utility regulation and industry  
15          restructuring.

16          BAI and its predecessor firms have been active in utility rate and economic  
17          consulting since 1937. The firm provides consulting services in the field of public  
18          utility regulation to many clients, including large industrial and institutional  
19          customers, some competitive retail power providers and utilities and, on occasion,  
20          state regulatory agencies. In addition, we have prepared depreciation and feasibility  
21          studies relating to utility service. We assist in the negotiation of contracts and the  
22          solicitation and procurement of competitive energy supplies for large energy users,

1 provide economic policy analysis on industry restructuring issues, and present  
2 seminars on utility regulation. In general, we are engaged in regulatory consulting,  
3 economic analysis, energy procurement, and contract negotiation.

4 In addition to our main office in St. Louis, the firm also has branch offices in  
5 Corpus Christi, Texas and Phoenix, Arizona.

6 **Q HAVE YOU PREVIOUSLY FILED TESTIMONY IN CONTESTED UTILITY**  
7 **PROCEEDINGS?**

8 **A** Yes, I have filed written testimony in the following dockets:

- 9 1. Texas Docket No. 10035 – Application of West Texas Utilities Company to  
10 Reconcile Fuel Costs and for Authority to Change Fixed Fuel Factors;
- 11 2. Texas Docket No. 10200 – Application of the Texas - New Mexico Power  
12 Company for Authority to Change Rates;
- 13 3. Texas Docket No. 10325 – Application of the Central Texas Electric  
14 Cooperative, Inc. for Authority to Change Rates;
- 15 4. Texas Docket No. 10600 – Application of the Brazos River Authority for  
16 Approval of Rates;
- 17 5. Texas Docket No. 10881 – Application of the New Era Electric Cooperative,  
18 Inc. for Authority to Change Rates;
- 19 6. Texas Docket No. 11244 – Petition of the Medina Electric Cooperative, Inc. to  
20 Reduce its Fixed Fuel Factor and the Application of the South Texas Electric  
21 Cooperative, Inc. for Authority to Refund an Over-Recovery of Fuel Cost  
22 Revenues and to Reduce its Fixed Fuel Factor;
- 23 7. Texas Docket No. 11271 – Application of Bowie-Cass Electric Cooperative, Inc.  
24 for Authority to Change Rates;
- 25 8. Texas Docket No. 11567 – Application of Kaufman County Electric  
26 Cooperative, Inc. for Authority to Change Rates;

- 1           9.   Texas Docket No. 18607 – Application of West Texas Utilities Company for  
2           Authority to Reconcile Fuel Costs;
- 3           10. Texas Docket No. 20290 – Application of Central Power & Light Company for  
4           Authority to Reconcile Fuel Costs;
- 5           11. Virginia Case No. PUE980814 – In the matter of considering an electricity retail  
6           access pilot program: American Electric Power – Virginia;
- 7           12. Texas Docket No. 21111 – Application of Entergy Gulf States Inc. for Authority  
8           to Reconcile Fuel Costs and to Recover a Surcharge for Under-Recovered Fuel  
9           Costs;
- 10          13. Virginia Case No. PUE990717 – Application of Virginia Electric and Power  
11          Company to Revise Its Fuel Factor Pursuant to Virginia Code Section 56-249.6;
- 12          14. Texas Docket No. 22344 – Generic Issues Associated with Applications for  
13          Approval of Unbundled Cost of Service Rates Pursuant to PURA Section 39.201  
14          and Public Utility Commission Substantive Rule § 25.344;
- 15          15. Texas Docket No. 22350 – Application of TXU Electric Company for Approval  
16          of Unbundled Cost of Service Rates Pursuant to PURA Section 39.201 and  
17          Public Utility Commission Substantive Rule 25.344 (Phase III);
- 18          16. Texas Docket No. 22352 – Application of Central Power and Light Company for  
19          Approval of Unbundled Cost of Service Rates Pursuant to PURA Section 39.201  
20          and Public Utility Commission Substantive Rule 25.344 (Final Phase);
- 21          17. Texas Docket No. 22353 – Application of Southwestern Electric Power  
22          Company for Approval of Unbundled Cost of Service Rates Pursuant to PURA  
23          Section 39.201 and Public Utility Commission Substantive Rule 25.344 (Final  
24          Phase);
- 25          18. Texas Docket No. 22354 – Application of West Texas Utilities Company for  
26          Approval of Unbundled Cost of Service Rates Pursuant to PURA Section 39.201  
27          and Public Utility Commission Substantive Rule 25.344 (Final Phase);
- 28          19. Texas Docket No. 22356 – Application of Entergy Gulf States, Inc. for Approval  
29          of Unbundled Cost of Service Rates Pursuant to PURA Section 39.201 and  
30          Public Utility Commission Substantive Rule 25.344;
- 31          20. Texas Docket No. 22349 – Application of Texas-New Mexico Power Company  
32          for Approval of Unbundled Cost of Service Rates Pursuant to PURA Section  
33          39.201 and Public Utility Commission Substantive Rule 25.344 (Final Phase);

- 1           21. Virginia Case No. PUE000584 – Application of Virginia Electric and Power  
2           Company for Approval of a Functional Separation Plan under the Virginia  
3           Electric Utility Restructuring Act;
- 4           22. Texas Docket No. 24468 – Staff’s Petition to Determine Readiness for Retail  
5           Competition in the Portions of Texas Within the Southwest Power Pool;
- 6           23. Texas Docket No. 24469 – Staff’s Petition to Determine Readiness for Retail  
7           Competition in the Portions of Texas Within the Southeastern Electric Reliability  
8           Council;
- 9           24. Virginia Case No. PUE-2002-00377 – Application of Virginia Electric and  
10          Power Company to Revise Its Fuel Factor Pursuant to Section 56-249.6 of the  
11          Code of Virginia;
- 12          25. Texas Docket No. 27035 – Application of Central Power and Light Company for  
13          Authority to Reconcile Fuel Costs;
- 14          26. Texas Docket No. 28818 – Application of Entergy Gulf States, Inc. for  
15          Certification of an Independent Organization for the Entergy Settlement Area in  
16          Texas;
- 17          27. Virginia Case No. PUE-2000-00550 -- Appalachian Power Company d/b/a  
18          American Electric Power: Regional Transmission Entities;
- 19          28. Texas Docket No. 29408 – Application of Entergy Gulf States, Inc. for the  
20          Authority to Reconcile Fuel Costs;
- 21          29. Texas Docket No. 29801 – Application of Southwestern Public Service  
22          Company for: (1) Reconciliation of its Fuel Costs for 2002 and 2003; (2) A  
23          Finding of Special Circumstances; and (3) Related Relief;
- 24          30. Texas Docket No. 30143 -- Petition of El Paso Electric Company to Reconcile  
25          Fuel Costs;
- 26          31. Texas Docket No. 31540 – Proceeding to Consider Protocols to Implement a  
27          Nodal Market in the Electric Reliability Council of Texas Pursuant to PUC  
28          Substantive Rule 25.501;
- 29          32. Texas Docket No. 32795 – Staff’s Petition to Initiate a Generic Proceeding to  
30          Re-Allocate Stranded Costs Pursuant to PURA Section 39.253(f);

- 1           33. Texas Docket No. 33309 – Application of AEP Texas Central Company for  
2           Authority to Change Rates;
- 3           34. Texas Docket No. 33310 – Application of AEP Texas North Company for  
4           Authority to Change Rates;
- 5           35. Michigan Case No. U-15245 – In the Matter of the Application of Consumers  
6           Energy Company for Authority to Increase its Rates for the Generation and  
7           Distribution of Electricity and for Other Rate Relief;
- 8           36. Texas Docket No. 34800 – Application of Entergy Gulf States, Inc. for Authority  
9           to Change Rates and to Reconcile Fuel Costs;
- 10          37. Texas Docket No. 35717 – Application of Oncor Electric Delivery Company  
11          LLC for Authority to Change Rates.
- 12          38. RIPUC Docket No. 4065 – Application of the Narragansett Electric Company  
13          d/b/a National Grid for Approval of a Change in Electric Base Distribution Rates  
14          Pursuant to R.I.G.L. Sections 39-3-10 and 39-3-11;
- 15          39. RIPUC Docket No. 4323 – Application of the Narragansett Electric Company  
16          d/b/a National Grid for Approval of a Change in Electric and Gas Base  
17          Distribution Rates Pursuant to R.I.G.L. Sections 39-3-10 and 39-1-3-11;
- 18          40. Oregon Docket No. UE 283 -- In the Matter of Portland General Electric  
19          Company’s Request for a General Rate Revision;
- 20          41. Washington Docket No. UE-141368 – In the Matter of the Petition of Puget  
21          Sound Energy to Update Methodologies Used to Allocate Electric Cost of  
22          Service and for Electric Rate Design Purposes;
- 23          42. Federal Energy Regulatory Commission Docket No. EL15-82-000 -- Illinois  
24          Industrial Energy Consumers, Complainant, v. Midcontinent Independent  
25          System Operator, Inc., Respondent;
- 26          43. RIPUC Docket No. 4568 – In Re: Review of the Narragansett Electric Company  
27          d/b/a National Grid’s Rate Design Pursuant to R.I. General Laws Section 39-  
28          26.6-24;
- 29          44. Washington Docket Nos. UE-170033 and UG-170034 – Washington Utilities  
30          and Transportation Commission, Complainant, v. Puget Sound Energy,  
31          Respondent;  
32

- 1           45. RIPUC Docket No. 4770 – The Narragansett Electric Company d/b/a National  
2           Grid – Application for Approval of a Change in Electric and Gas Base  
3           Distribution Rates;
- 4           46. RIPUC Docket No. 4780 – The Narragansett Electric Company d/b/a National  
5           Grid – Proposed Power Sector Transformation Vision and Implementation Plan;  
6
- 7           47. Federal Energy Regulatory Commission Docket Nos. ER19-1486-000 and  
8           ER19-58-000, Enhanced Price Formation In Reserve Markets of PJM  
9           Interconnection, L.L.C.;
- 10
- 11          48. Texas Docket No. 49494 – Application of AEP Texas Inc. for Authority to  
12          Change Rates; and  
13
- 14          49. Washington Docket Nos. UE-190529 and UG-190530 – Washington Utilities  
15          and Transportation Commission, Complainant, v. Puget Sound Energy,  
16          Respondent.

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**AFFIDAVIT OF ALI AL-JABIR**

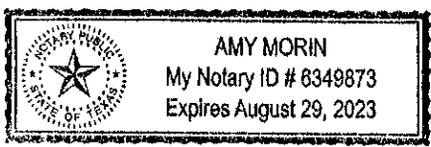
**Glossary of Abbreviations and Acronyms**

BAI	Brubaker & Associates, Inc.
CWIP	Construction Work In Progress
FERC	Federal Energy Regulatory Commission
IMM	Independent Market Monitor
ISO	Independent System Operator
ISO-NE	Independent System Operator of New England
MEP	Market Efficiency Project
MISO	Midcontinent Independent System Operator, Inc.
MTEP19	MISO 2019 Transmission Expansion Plan
NERC	North American Electric Reliability Corporation
NYISO	New York Independent System Operator
PJM	PJM Interconnection, L.L.C.
RTO	Regional Transmission Organization
SPP	Southwest Power Pool

*Ali Al-Jabir*  
\_\_\_\_\_  
Ali Al-Jabir

STATE OF TEXAS            )  
  )        SS  
COUNTY OF NUECES        )

Subscribed and sworn to before me this 20<sup>th</sup> day of June, 2020.



*Amy Morin*  
\_\_\_\_\_  
Notary Public