

From: Prokop, Brenda
Sent: Thursday, August 10, 2017 9:14 AM
To: RTEP@pjm.com
Subject: ITC Feedback to PJM on Evaluation of Cost Caps

Good morning-

ITC appreciates the opportunity to provide feedback on PJM's proposed principles for evaluating cost caps in competitive bids.

We wholeheartedly agree with the foundation of PJM's guiding principles; namely, that PJM should not assume the role of a regulator in evaluating or enforcing cost caps, and that FERC is the ultimate authority on the justness and reasonableness of transmission rates. We applaud PJM for taking a different perspective than other regions which employ revenue requirement-based bidding and evaluation in their competitive processes, and support PJM's proposal to evaluate only caps that apply to project costs.

We also commend PJM for continuing to focus primarily on the project solution, and especially resolution of the identified issues and benefits to customers, in selecting a project. The cost of a project, including any caps, is important – but should not be the only or the main selection factor.

As PJM alluded to during last month's discussion on confidentiality, developers need to be able to keep proprietary information, such as special supplier arrangements and pricing, confidential. For example, if a developer has an agreement with a supplier to provide foundation materials at a special price, PJM should permit the developer to redact or otherwise keep this information confidential. Alternatively, PJM should not require that specific pricing information be submitted as part of the proposal.

We understand and agree that PJM needs to release the details of cost caps or cost containment mechanisms for winning proposals, so that the developer can be held to its commitments by the applicable regulatory bodies. However, we strongly recommend that PJM consider allowing more high-level summaries of cost caps submitted with proposals that PJM does not intend to recommend, rather than disclosing the details of these proposed caps. To do otherwise will allow developers to imitate the cost caps submitted by others, resulting in less creativity and breadth of cost caps, and potentially fewer benefits to customers.

ITC extends its thanks to PJM for continued outreach on the competitive transmission process, and carefully considering developer and stakeholder feedback to improve the process. Please feel free to contact me with any questions, or to discuss ITC's feedback in more detail.

Thank you,
Brenda

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