

Via Email

January 7, 2019

To the CTOA Administrative Committee:

Pursuant to the PJM Transmission Owners' ("PJM TOs") December 3, 2018 *Notice of Transmission Owners Consultation with the Members Committee Regarding Proposed Update and Implementation of a Formula for Future Updates Of the Schedules 7 and 8 and Attachment H-A* ("Notice"), the New York Power Authority ("NYPA") respectfully submits these comments and questions regarding the noticed proposal.

Background

Based on NYPA's current understanding of the Notice, the PJM TOs are proposing to modify the existing stated rates for service to the PJM border under Schedules 7 and 8 ("Border Rate") and service to non-zone network load under Attachment H-A ("Non-Zone NITS Rate") by setting forth a new formula rate. The rate proposal would constitute an increase of 250% above the currently effective Border Rate. Pursuant to the proposed formula rate, the Border Rate and Non-Zone NITS Rate would be based on the sum of the PJM TOs' revenue requirements set forth in Attachment H. As a result of the proposed changes, the calculation of the Border Rate and Non-Zone NITS Rate would also include all Transmission Enhancement Charges ("TECs") in connection with RTEP projects approved by the PJM Board, without exception or analysis regarding the relevance to Border transactions.

In support of the proposal, the Notice contained four attachments: (1) proposed PJM Tariff language implementing the Border Rate Update in Schedule 7 (Attachment A); (2) revisions to Attachment H-A concerning the Non-Zone NITS rate to reflect the use of the Border Rate determined under Schedule 7 (Attachment B); (3) a proposed definition of "Border Yearly Charge" to be included in the PJM Tariff (Attachment C); and (4) a calculation of the Border Yearly Charge using data in effect as of October 31, 2018 (Attachment D).

The PJM TOs propose to file the proposed changes with the Federal Energy Regulatory Commission, to be effective 60 days after filing. If approved by FERC, the new rates would remain in effect until January 1, 2020, at which time the rates would be updated, pursuant to the new methodology, using updated data as of October 31, 2019.

Questions and Comments

After reviewing the Notice, including its four Attachments, NYPA notes, as an initial matter, that it cannot adequately evaluate the just and reasonableness of the proposal without the

PJM TOs providing additional information and/or explanation. For example, Attachment D of the Notice, which provides a high-level calculation of the proposed Border Yearly Charge, does not provide adequate support or transparency – including an explanation of: why a “network service” type calculation is appropriate for a Border Rate that is a much more limited product; how much of the resulting Border Rate increase is reflective of the inclusion of TECs related to RTEP projects as opposed to other transmission investments; and what kind, if any, allocation mechanism is being used with respect to the included TECs. As a result, NYPA is submitting a number of questions set forth below. In order to ensure a productive exchange between the PJM TOs and interested stakeholders, NYPA requests that there be a second or extended comment period permitted following the exchange of additional information.

Questions:

- 1) At pages 1-2 of the Notice, it states that “there is no charge for points of delivery to the Midcontinent Independent System Operator, Inc. (“MISO”).”
 - a. Please confirm that the proposed Border Rate will be applicable to service for sales from PJM to all other RTOs/ISOs, including MISO. If that is not the case, please identify to which RTOs/ISOs the Border Rate would apply, and the basis for the exclusions/inclusions.
 - b. If service for sales from PJM to MISO will not be subject to the Border Rate, please explain the impact on TEC cost responsibility of entities taking firm point-to-point transmission service from PJM to the MISO border and explain why allocating TECs differently for different Border Rate transactions is not unduly discriminatory or preferential.
 - c. Please explain why a “network service” type of calculation for the Border Rate is appropriate if the rate is limited to the PJM/NYISO border.
- 2) At page 4 of the Notice, it states:

The Border Rate would be based on the sum of the PJM Transmission Owner stated revenue requirements listed in Attachment H of the PJM Tariff and the revenue requirements determined under the formula rates of those Transmission Owners with formula rates set out in Attachment H. Transmission customers taking Point-to-Point transmission service to the border of PJM would not be liable for any additional TECs, since the Border Rate would be calculated to include all TECs in connection with RTEP projects approved by the PJM Board.

Please clarify whether the cost of all PJM Board approved RTEP projects is included, in full, in the calculation of the Border Rate. If so, please explain the basis for that inclusion, including lower voltage RTEP projects not used in Border Rate service to NYISO and RTEP projects within PJM TOs that do not have facilities used

to provide Border Rate service to NYISO. If not, please explain how the applicable RTEP costs are allocated/distributed to the Border Rate.

- 3) At page 5 of the Notice, it states that “a Merchant Transmission Facility (“MTF”) with Firm Transmission Withdrawal Rights or its customers will remain liable for any TECs assigned to the MTF. However, the MTF or its customers taking firm Point-to-Point Transmission Service to the MTF will receive a credit based on the TECs for which they are liable.” Please explain how this credit is calculated and applied to avoid double charging.
- 4) The Border Rate formula does not appear to contemplate application of the revenue credits typically applied to a network rate. Please explain how those credits are made or justify why they are not included.
- 5) The revenue requirement for NITS service is based upon all transmission facilities, the investment which is included in transmission operating property FERC accounts, including lower voltage transmission facilities that are not utilized for point-to-point Border Rate service, as lower voltage facilities primarily move electricity from the higher voltage transmission network to load centers. Please explain why including lower voltage transmission facilities that are not utilized for point-to-point Border Rate service is appropriate for the calculation of the point-to-point Border Rate.
- 6) Does the proposed Border Rate reflect the current tax rates of each of the PJM TOs and the amortization of excess ADIT resulting from the Tax Cuts and Jobs Act of 2017? If not, please explain why such an adjustment should not be made.
- 7) Please provide all workpapers/calculations supporting the calculation of the proposed Border Rate set forth in Attachment D.
- 8) Please provide any updates regarding the timing for filing the proposal with FERC.

We appreciate the opportunity to submit these questions and comments regarding the Notice. Please contact the undersigned with any questions or concerns.

Respectfully submitted,

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