

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C.)	
)	Docket No. ER21-1635-000
)	

**MOTION FOR LEAVE TO ANSWER
AND ANSWER OF PJM INTERCONNECTION, L.L.C.**

Pursuant to Rules 212 and 213 of the Federal Energy Regulatory Commission (“Commission”) Rules of Practice and Procedure,¹ PJM Interconnection, L.L.C. (“PJM”) respectfully submits this Motion for Leave to Answer and Answer to a comment and a protest² filed in response to PJM’s April 7, 2021 filing of revisions to Schedule 6A of the PJM Open Access Transmission Tariff (“Tariff”) in the captioned proceeding.³ This proceeding relates to revisions to Tariff, Schedule 6A addressing the requirements for Black Start Units,⁴ and updating the Capital Recovery Factor (“CRF”) component of Black Start payments for units that require new or additional capital investment and commence Black Start Service after the effective date of the Black Start Filing.

I. MOTION FOR LEAVE TO ANSWER

While an answer to a protest or comment is not a matter of right under the Commission’s regulations,⁵ the Commission routinely permits such answers when the answer provides useful and

¹ 18 C.F.R. §§ 385.212, 385.213.

² *PJM Interconnection, L.L.C.*, Comments of the Independent Market Monitor for PJM, Docket No. ER21-1635-000 (Apr. 28, 2021) (“IMM Comments”); *PJM Interconnection, L.L.C.*, Protest of the Joint Consumer Advocates, Docket No. ER21-1635-000 (Apr. 28, 2021) (“Consumer Advocates Protest”).

³ *PJM Interconnection, L.L.C.*, Tariff, Schedule 6A, Black Start Revisions of PJM Interconnection, L.L.C., Docket No. ER21-1635-000 (Apr. 7, 2021) (“Black Start Filing”).

⁴ Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Tariff.

⁵ 18 C.F.R. § 385.213(a)(2).

relevant information that will assist the Commission in its decision-making process,⁶ corrects factual inaccuracies and clarifies the issues,⁷ assures a complete record in the proceeding,⁸ provides information helpful to the disposition of an issue,⁹ or permits the issues to be narrowed.¹⁰

This answer satisfies each of these criteria, and PJM therefore respectfully requests that the Commission grant leave and accept this answer.

II. ANSWER

Notably, none of the adverse comments and protests take issue with the non-rate revisions proposed in the Black Start Filing (i.e., commitment period, testing, and substitution) and the changes to the Minimum Tank Suction Level calculation.¹¹ PJM responds here to certain of the arguments concerning the CRF revisions contained in the Black Start Filing; as to those issues not addressed herein, PJM rests on its initial filing in this matter.

Both the Joint Consumer Advocates and the Independent Market Monitor (“IMM”) argue the Commission should require the formula used to calculate the CRF applicable to Black Start Units seeking to recover new or additional capital costs going forward (as distinct from the stated

⁶ See, e.g., *Pioneer Transmission, LLC v. N. Ind. Pub. Serv. Co.*, 140 FERC ¶ 61,057, at P 94 (2012) (accepting answers that “provided information that assisted us in our decision-making process”); *Tallgrass Transmission, LLC*, 125 FERC ¶ 61,248, at P 26 (2008) (same); *Midwest Indep. Transmission Sys. Operator, Inc.*, 120 FERC ¶ 61,083, at P 23 (2007) (permitting answer to protests when it provided information that assisted the Commission in its decision-making process).

⁷ See, e.g., *Entergy Servs., Inc.*, 126 FERC ¶ 61,227, at P 76, *order on clarification & reh’g*, 127 FERC ¶ 61,225 (2009).

⁸ See, e.g., *Pac. Interstate Transmission Co.*, 85 FERC ¶ 61,378, at 62,443 (1998), *order on reh’g*, 89 FERC ¶ 61,246 (1999); see also *Morgan Stanley Cap. Grp., Inc. v. N.Y. Indep. Sys. Operator, Inc.*, 93 FERC ¶ 61,017, at 61,036 (2000) (accepting an answer that was “helpful in the development of the record”).

⁹ See, e.g., *CNG Transmission Corp.*, 89 FERC ¶ 61,100, at 61,287 n.11 (1999).

¹⁰ See, e.g., *PJM Interconnection, L.L.C.*, 84 FERC ¶ 61,224, at 62,078 (1998); *New Energy Ventures, Inc. v. S. Cal. Edison Co.*, 82 FERC ¶ 61,335, at 62,323 n.1 (1998).

¹¹ See IMM Comments at 18 (summarizing the “other” proposed revisions to Tariff, Schedule 6A beyond the CRF changes for new Black Start Units and stating, “[t]hese proposed revisions should be accepted as just and reasonable”); *PJM Interconnection, L.L.C.*, Protest of American Municipal Power, Inc. and Old Dominion Electric Cooperative, Docket No. ER21-1635-000, at 12 (Apr. 28, 2021) (“AMP and ODEC support the non-rate reliability proposals in PJM’s filing.”).

CRF percentages that will continue to apply to existing Black Start Units) to be stated in the Tariff.¹² The Joint Consumer Advocates also request that the Commission set certain CRF aspects of the Black Start Filing for hearing and settlement procedures.¹³ As set forth below, the Commission should not grant the requested relief.

A. The CRF Formula Is Adequately Set Forth in the Tariff

Both the IMM and the Joint Consumer Advocates concede that the Black Start Filing identifies the components of the CRF calculation, but assert that a different CRF derivation methodology should be included in the Tariff at Schedule 6A, section 18.

Contrary to the IMM's and Joint Consumer Advocates' claims, the Black Start Filing is just and reasonable, and sufficiently detailed, as it defines the CRF calculation inputs that are to be updated each year and specifies that those inputs are to be used in an economic model of a stated plant type, with a stated capacity, and a stated investment. Specifically, as explained in the Affidavit of Thomas Hauske on Behalf of PJM Interconnection, L.L.C., Attachment B to the Black Start Filing, the CRF values will be calculated "using *an economic pro forma calculation* for a 100 MW combustion turbine needing a \$1 million capital investment to qualify for Black Start Service to determine a levelized cost recovery for a recovery period based on the age of the unit."¹⁴ The IMM concedes as much, observing that "the CRF values can be calculated using a standard financial model."¹⁵ The IMM nevertheless advocates for the use of the formula set forth in the IMM Comments, stating without evidence that it "produces exactly the same results."¹⁶

¹² IMM Comments at 2-4, 15; Consumer Advocates Protest at 1-8.

¹³ Consumer Advocates Protest at 14.

¹⁴ Black Start Filing at Attachment B, Affidavit of Thomas Hauske on Behalf of PJM Interconnection, L.L.C., ¶ 12 ("Hauske Affidavit") (emphasis added).

¹⁵ IMM Comments at 16.

¹⁶ *Id.*

PJM does not dispute that the CRF values calculated using its economic model can be expressed by the formula proposed by the IMM (which is set forth below), but notes there are slight differences in the results, as explained further in PJM’s recent filing in Docket No. ER21-1844-000.¹⁷

$$CRF = \frac{r(1+r)^N \left[1 - \frac{sB}{\sqrt{1+r}} - s(1-B)\sqrt{1+r} \sum_{j=1}^L \frac{m_j}{(1+r)^j} \right]}{(1-s)\sqrt{1+r} [(1+r)^N - 1]}$$

Formula	
Symbol	Description
r	After tax Weighted Average Cost of Capital (ATWACC)
s	Effective Tax Rate
B	Bonus Depreciation Percent
N	Cost Recovery Period (years)
L	Lesser of N or 16 (years)
m _j	Modified Accelerated Cost Recovery System (MACRS) depreciation factor for year j = 1, ..., 16

This formula¹⁸ could be used for calculating the revised CRF values using the updated input values proposed in the Black Start Filing. If the Commission nonetheless desires more detail in the Tariff, PJM therefore is amenable, in response to a compliance directive, to including that formula, and the accompanying table of inputs,¹⁹ in Tariff, Schedule 6A, section 18, in the subsection pertaining to compensation for Black Start Units entering Black Start Service after the effective date of the Black Start Filing and seeking new or additional capital cost recovery.

¹⁷ See Revisions to Capital Recovery Factor for Avoidable Project Investment Cost Determinations and Request for Waiver of Sixty-Day Notice Requirement of PJM Interconnection, L.L.C., Docket No. ER21-1844-000 (May 4, 2021).

¹⁸ In this formula, ATWACC = Percent Equity * Cost of Equity + Percent Debt * Debt Rate * (1- Effective Tax Rate).

¹⁹ IMM Comments at 16, Table 4.

B. A Hearing Is Not Needed for the Commission to Accept the Black Start Filing as Just and Reasonable

The Joint Consumer Advocates argue that the Commission should initiate hearing procedures in this docket.²⁰ The Joint Consumer Advocates further request that the Commission hold the hearing in abeyance and establish settlement procedures.²¹

The requested hearing and settlement procedures are unnecessary. The Joint Consumer Advocates do not identify any material issues of fact present in this proceeding that require an evidentiary proceeding, nor do they challenge the credibility of the affiants supporting the Black Start Filing. When no material facts are in dispute, the Commission and federal courts find evidentiary hearings unnecessary.²² Moreover, the Joint Consumer Advocates fail to point to any particular provision of the Black Start Filing or any remaining material issues of fact they did not have a full opportunity to discuss and challenge in the stakeholder process.

As PJM explained in the Black Start Filing, PJM needs to address immediately a shortfall in Black Start Service that will occur in a Black Start zone in early 2022 as a result of units retiring

²⁰ Consumer Advocates Protest at 14.

²¹ *Id.* While none of Joint Consumer Advocates' issues warrants an evidentiary hearing, one evident misunderstanding can be quickly dispatched. Joint Consumer Advocates incorrectly infer from Mr. Hauske's explanation that 43 of the 154 generation facilities presently providing Black Start Service "employ the CRF rate in their revenue requirement calculation" (Hauske Affidavit ¶ 8) that "a substantial majority of providers already use their own methodology instead of the CRF methodology." Consumer Advocates Protest at 13. Based on that incorrect inference, Joint Consumer Advocates reason that the majority of Black Start Service providers are not relying on the compensation contained in Tariff, Schedule 6A, section 18. *Id.* Joint Consumer Advocates are misreading the facts. All of the 43 current Black Start Service facilities that are recovering additional capital costs to provide that service are relying on the CRF component stated in the Tariff. None of those facilities use a separate, case-specific, Commission-filed compensation rate to recover the costs of providing Black Start Service. The remaining 111 Black Start Units do not use the Tariff's CRF calculation simply because they do not qualify for recovery of new or additional capital costs.

²² *Tallgrass Transmission, LLC*, 150 FERC ¶ 61,224, at P 66 (2015) ("Courts have stated . . . mere allegations of disputed facts are insufficient to mandate a hearing; petitioners must make an adequate proffer of evidence to support them." (quoting *Woolen Mill Assoc. v. FERC*, 917 F.2d 589, 592 (D.C. Cir. 1990))); *Ne. Utils. Serv. Co.*, 125 FERC ¶ 61,183, at P 54 (2008) ("Federal courts have held repeatedly that 'a formal trial-type hearing is unnecessary where there are no material facts in dispute.'" (quoting *Pa. Pub. Util. Comm'n v. FERC*, 881 F.2d 1123, 1126 (D.C. Cir. 1989))).

from Black Start Service.²³ The owner of several Black Start Units located in one transmission Zone has announced the retirement of those units from Black Start Service as of February 19, 2022, and PJM has identified potential reliability concerns if the units terminate Black Start Service prior to March 31, 2023, which PJM anticipates is the earliest date that replacement Black Start Service would be available through a request for proposals (“RFP”). Because the Incremental RFP process takes up to two years to complete and secure replacement Black Start capability, PJM issued an Incremental RFP for Black Start Service on the same day it made the Black Start Filing.²⁴ In addition, PJM requested a Commission order accepting the Black Start Filing with an effective date of June 6, 2021, in order to provide certainty for Black Start Unit owners, thereby encouraging offers in response to that Incremental RFP. Given the need for certainty by June 6, 2021, and the fact that the record in this proceeding, including the Black Start Filing and this answer, is sufficient for the Commission to determine the Black Start Filing to be just and reasonable, and not unduly discriminatory, PJM urges the Commission to reject the Joint Consumer Advocates’ request for a hearing and settlement procedures in this proceeding and renews its request for an order accepting the Black Start Filing on or before June 6, 2021, to be effective June 6, 2021.

²³ See Black Start Filing at 21.

²⁴ 2021 BGE/PEPCO Zones, *Black Start Service, Incremental Request for Proposal*, PJM Interconnection, L.L.C. (Apr. 7, 2021) ([2021-bge-pepco-zones-black-start-service-incremental-request-for-proposal.ashx \(pjm.com\)](https://www.pjm.com/2021-bge-pepco-zones-black-start-service-incremental-request-for-proposal.ashx)).

III. CONCLUSION

PJM respectfully requests that the Commission accept this answer and the Black Start Filing, effective June 6, 2021.

Respectfully submitted,

Craig Glazer
Vice President–Federal Government Policy
PJM Interconnection, L.L.C.
1200 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 423-4743 (phone)
craig.glazer@pjm.com

Steve Pincus
Associate Counsel
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19403
(610) 666-4370 (phone)
Steven.Pincus@pjm.com

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/s/ Wendy B. Warren

Paul M. Flynn
Wendy B. Warren
Uju Okasi
Wright & Talisman, P.C.
1200 G Street, N.W., Suite 600
Washington, D.C. 20005-3898
(202) 393-1200 (phone)
(202) 393-1240 (fax)
flynn@wrightlaw.com
warren@wrightlaw.com
okasi@wrightlaw.com

**Attorneys for
PJM Interconnection, L.L.C.**

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 13th day of May 2021.

/s/ Wendy B. Warren
Wendy B. Warren