

## Notes from BSSWG Sub Working Group on CIP Costs Additive to Existing Rates

(with edits from 4/9/10 conference call)

Why Separate CIP Costs from Black Start Service Formula Rates -

- 1) Not all black start units are required to be CIP compliant.
- 2) Formula Rates do not contain the cost of CIP
  - a. The formula rate for Black Start Service contains a component which is intended to be an approximation of capital cost recovery. It is determined by multiplying Net Cone times the "X" Factor.
  - b. The "X" Factor is intended to represent the capital cost for black start equipment by utilizing an approximate allocation ratio applied to the cost of a new peaking unit which possesses black start capability.
  - c. Net Cone is determined by the formula: Gross Cone less the expected net energy and ancillary service revenues.
  - d. Gross Cone is determined by PJM conducting an administrative study by a consultant.
  - e. The current Gross Cone study does not contain the cost of installing black start equipment, or the cost of complying with the CIP.
  - f. The effects from the absence of the capital costs associated with the black start equipment from gross cone is minimal since black start revenues are probably also absent from the E&AS offset in the Net Cone calculation.
  - g. CIP applies to all units designated by unit owner as being critical assets, and PJM doesn't know if unit owner decides to make unit a critical asset It should not be included in the gross cone number, but it should be an adder to black start units that are required to comply
- 3) Many owners of black start units did not build the station. They may have purchased the plant from the original owner or utility and therefore may not have all of the invoices, accounts, or data necessary to file for cost based recovery with FERC. The formulaic rate is the most optimal way to allocate a portion of their total investment to black start service.