



# PJM Proposal for Black Start Fuel Assurance Capital Recovery

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OC/MIC Special Session – Fuel  
Requirements for Black Start Resources

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- Black Start resources can recover the incremental capital costs solely associated with Black Start fuel assurance.
- PJM will determine the portion of incremental capital costs solely necessary for Black Start fuel assurance by netting energy revenues ( $\text{Max}(0, \text{DA Credits} + \text{RT Credits} - \text{Cost})$ ) that are a direct result of the capital expenditures during the capital recovery period.
- Energy revenues will be netted from monthly Black Start Credits on a monthly basis. If the energy revenues exceed the monthly black start revenues, the residual will be carried to subsequent months until all energy revenues have been netted.

- Black Start fuel assurance capital cost will be recovered over a 20 year recovery period. For units with ages greater than 20 years, PJM at its option, may choose to use a 10 year recovery period.
- Black Start Resources that recover fuel assurance capital cost will commit to providing Black Start Service for the remaining life of the unit. These units will transition to the Base Formula Rate once the capital recovery period is over.
- The fuel assurance Capital Recovery Factors (CRF) have been adjusted to reflect changes in Federal Tax Law
  - Federal tax rate of 37% has been reduced to 21%
  - 150% Bonus depreciation has been increased to 200%

- Assumption used for example
  - Black Start gas only CT added capability to burn oil
  - Monthly fuel assurance capital recovery revenue = \$200,000
  - Black Start CT operates on oil
    - February net energy revenues = \$350,000
    - March net energy revenues = \$25,000

	February	March	April
Black Start Revenues prior to netting	\$200,000	\$200,000	\$200,000
Net Oil Energy Revenues	\$350,000	\$25,000	\$0
Residual Revenues from previous month	\$0	\$150,000	\$0
Total Oil Energy Revenues for netting	\$350,000	\$175,000	\$0
<b>Black Start Revenues after netting</b>	<b>\$0</b>	<b>\$25,000</b>	<b>\$200,000</b>
Residual Revenues for carryover	\$150,000	\$0	\$0