Linden VFT, LLC

Via email

Dear PJM Transmission Owners:

On December 3, 2018, the PJM Transmission Owners ("PJM TOs") published a Notice of Consultation with the Members Committee Regarding Proposed Update and Implementation of a Formula for Future Updates of Schedules 7 and 8 and Attachment H-A (the "Notice") to the PJM Open Access Transmission Tariff (the "PJM Tariff"). The Notice describes the existing rates for Point-to-Point Transmission Service to the Border of PJM under Schedule 7 regarding firm service and Schedule 8 regarding non-firm service (the "Border Rate") and the Annual Transmission Rate for Network Integration Transmission Services to Non-Zone Network Load under Attachment H-A (the "Non-Zone NITS Rate"). As explained in the Notice, the PJM TOs propose to modify the existing stated rates to use a formula rate to determine the Border Rate and the Non-Zone NITS Rate based upon the sum of the revenue requirements used to determine NITS service rates set forth in Attachment H to the PJM Tariff.

The PJM TOs indicated that they plan to file the formula rates for the Border Rate and the Non-Zone NITS Rate with the Federal Energy Regulatory Commission (the "Commission"), with a requested effective date 60 days following the filing, but they have not stated when such a filing would be made. The PJM TOs requested comments on the proposed rate changes on or before January 7, 2019, but they have not indicated whether and how they would consider such comments.

Linden VFT, LLC ("Linden VFT") has reviewed the Notice and has determined that, as proposed, the rate changes in the Notice would be unjust, unreasonable and unduly discriminatory and preferential. Linden VFT is identifying below several substantive comments and questions regarding the Notice.

<u>Comments and Questions</u>

1. The PJM TOs propose to use the NITS revenue requirement to determine the firm and non-firm Border Rate. NITS service allows customers to designate generation and load to be integrated in the NITS service while Border Rate service has a single point of receipt and a single point of delivery. As a result, NITS service is significantly more flexible than and uses and relies upon much more of the PJM transmission system than point-to-point Border Rate service. Please discuss why a revenue requirement for NITS service that is significantly more flexible and requires significantly more transmission support should be used for point-to-point service.

2. The revenue requirement for NITS service is based upon all transmission facilities, including lower voltage transmission facilities that are not utilized for point-to-point Border Rate service, presumably because integration of load to generation may require the use of those lower voltage facilities. But point-to-point Border Rate service would

not utilize these lower voltage facilities. Please explain why including lower voltage level facilities that are not utilized for point-to-point Border Rate service is appropriate for the calculation of point-to-point Border Rate service.

3. Are the federal tax rates used to determine NITS service reflective of the current tax rates for each of the PJM TOs and do they reflect the amortization of so-called excess accumulated deferred income taxes ("ADIT")? If not, please explain why current tax rates and amortization of excess ADIT should not be used to determine a proposed new formula transmission rate for point-to-point Border Rate service?

4. Please specifically describe and show where the so-called excess ADIT balances are reflected in ratebase (either reductions or additions) in the NITS formula rates used in the Border Rate proposal contained in the Notice.

5. The Notice indicates that "[t]ransmission customers taking Point-to-Point transmission service to the border of PJM would not be liable for any additional TECs [or Transmission Enhancement Charges.]" Please confirm that as long as Merchant Transmission Facilities ("MTF") do not have Firm Transmission Withdrawal Rights and such MTFs take service under the Border Rate, they will not be subject to any TECs under Schedule 12 of the PJM Tariff separate and apart from the proposed increase in the Border Rate. In addition, the last paragraph of page 5 of the Notice states that an MTF "with Firm Transmission Withdrawal Rights *or its customers* will remain liable for any TECs assigned to the MTF." Please explain what is intended by the words "or its customers" in that sentence, including an explanation as to why an MTF's customers could ever be liable for TECs under Schedule 12 of the PJM Tariff.

6. Please identify all existing long-term firm point-to-point Border Rate customers and their points of receipt and points of delivery. If all of the customers taking service under the Border Rate move power from PJM to the border of the NYISO, please explain why a rate structure that includes the revenue requirements of all PJM TOs (including PJM TOs with facilities that are not used to transmit electric energy to the border of the NYISO) is appropriate.

7. Please discuss why the Border Rate is applicable for service regarding sales from PJM to NYISO, but the Border Rate does not apply to service regarding sales from PJM to other ISOs/RTOs, such as MISO. Explain why such an approach would not result in the application of the Border Rate, including TECs, in an unduly discriminatory fashion.

8. Please discuss why the PJM TOs only propose to change the Border Rate set forth on Schedules 7 and 8 of the PJM Tariff and not the other rates contained on those Schedules.

9. The Notice includes proposed draft rates for Schedule 7 and Attachment H-A, but does not include a separate proposed rate for Schedule 8 (the non-firm Border Rate). Please provide the proposed rate for Schedule 8 for review.

10. The Notice provides a credit mechanism, as it provides that "where TECs charged to other Zones are credited in calculating the zonal revenue requirement, they are added back." Please explain how such a credit mechanism does not result in over-

recovery. For example, please identify whether TECs charged to other PJM TO Zones are used in the calculation of the revenue requirements of those other PJM TO Zones. If they are, please identify whether the credit mechanism would result in the same TECs being used in the revenue requirements of more than one PJM TO, and why such a result would be appropriate.

11. The PJM TOs propose an increase of 2.5 times the current Border Rate (from $18,880/MW-Year to $47,138/MW-Year), which would result in substantial rate shock to Border Rate customers. Would the PJM TOs consider a phased-in implementation of the Border Rate over a five-year period to lower the immediate rate impact of the Border Rate?

12. The proposed Border Rate protocols call for posting of the data used to determine the new Border Rate each December 1 for the rate that will become effective January 1. Would the PJM TOs consider moving the posting date back to October 1 in order to provide relevant stakeholders an adequate opportunity to examine the data regarding the new Border Rate and request relevant information?

13. Please confirm that the Border Rate calculation for 2020 will be based on the NITS Revenue Requirements for the 2019 calendar year (for those transmission owners with projected, calendar year formula rates) and the June 2019 to May 2020 Rate Year (for those transmission owners with June to May formula rates).

14. Please provide support for the zonal peak loads presented on Attachment D, Page 3 of the Notice by showing what transactions and amounts are added to the zonal peak demands used in each NITS rate determination to arrive at the zonal peaks on Attachment D, Page 3. Please also explain why there is no peak demand associated with TrailCo.

15. Please provide the source documents for the following amounts on Attachment D, page 2: NITS amount for PSE&G of $1,248,819,352; NITS amount for PPL of $426,220,776; P2P TS amount for BG&E of $1,154,505; P2P TS amount for PEPCO of $867,063; and the Other Agreements For Transmission for Dominion of $2,042.

16. Please explain how the settlement in Docket Nos. EL17-13 and ER18-1202 affecting the AEP East companies has been incorporated into the respective NITS revenue requirements and therefore into the Border Rate proposed in the Notice.

17. JCP&L is shown on page 2 of Attachment D of the Notice as having a stated rate. However, JCP&L is shown as having a calendar year formula rate on the PJM website and provided a projected 2018 revenue requirement under its formula rate. Please explain this inconsistency.

18. There are two formula rate calculations with different numbers on the PJM website for Mid-Atlantic Interstate Transmission. There is an "Effective Template" and a "Settlement Template" for the Projected Transmission Revenue Requirement for Rate Year 2018. Please explain the differences between the two formula rate calculations and which one is intended to be used in the Border Rate calculation.

In addition, Linden VFT would appreciate the PJM TOs explaining their process for considering the above comments and responding to the above questions prior to filing the revised Border Rate and Non-Zone NITS Rate, as Linden VFT would like an opportunity to review such information prior to the PJM TOs submitting the rate filing at the Commission. Also, when do the PJM TOs anticipate making such a filing at the Commission?

We appreciate the opportunity to submit comments and questions regarding the Notice, and we appreciate your attention to these comments and questions. While the rate changes as proposed in the Notice are unjust, unreasonable, unduly discriminatory and preferential, Linden VFT would be happy to work with the PJM TOs to arrive at a more reasonable approach to a rate proposal. Please feel free to contact me if you would like to discuss any alternative approaches to proposed rate changes or to discuss these comments.

Regards,

Mark Mellana
Managing Director