

January 7, 2019

Via Email

To: PJM Transmission Owners – Administrative Committee

Comments of the Long Island Power Authority and LIPA on the Proposed Update and Implementation of a Formula for Future Updates of the Schedules 7 and 8 and Attachment H-A

The Long Island Power Authority and Long Island Lighting Company d/b/a LIPA (collectively “LIPA”) have reviewed the material included within PJM Transmission Owners’ Notice of Members Committee Consultation issued on December 3, 2018. In this notice, the PJM Transmission Owners have stated their intent to “update” the calculation and assessment of the Border Rate under Schedules 7 and 8 to the PJM Tariff. In addition to a general background discussion, the Transmission Owners included drafts of a revised Schedule 7 and Attachment H-A, a proposed definition of a “Border Yearly Charge” and a set of summary charts. Particularly, the summary charts included in Attachment D disclose a proposed “Border Yearly Charge” of \$47,138 per MW-yr. The data supporting this proposed charge is limited to a chart listing the transmission owner revenue requirements/stated rates and network service peak loads.

Pursuant to the Transmission Owners’ request for input, LIPA provides the following comments and questions on this proposal:¹

Request for Supplemental Notice, Supporting Data and Clarification: LIPA understands that the notice provided by the PJM Transmission Owners is undertaken pursuant to the “consultation” requirements set forth in Section 7.3.2 of the Consolidated Transmission Owners Agreement. Unfortunately, the information provided by the Transmission Owners is overly vague in its description of the proposed rate change and formula and lacks key data supporting the proposal. Adequate consultation on the Transmission Owners’ proposal requires additional notice, data and substantive engagement and consultation with stakeholders. In this respect, LIPA requests that the Transmission Owners defer any filing of its proposed Border Rate update with FERC until further, adequately-scoped consultation occurs with stakeholders.

Inadequate Explanation and Improper Scope of Cost Inputs into the Revised Border Rate: The Transmission Owners acknowledge that they are proposing to modify a rate that has been unchanged since 2004. When the present Border Rate was first adopted, the overall PJM transmission system, transmission planning process, derivation of transmission owner revenue requirements and structure of transmission cost allocation was significantly different. In the background and description of the Border Rate update and formula rate, the Transmission Owners appear to assume that point-to-point transmission service to the PJM Border is equivalent to network service. This assumption is not

¹ In submitting these comments and questions, LIPA respectfully reserves all rights afforded under Sections 205 and 206 of the Federal Power Act.

explained or supported within the notice. Further, the PJM Transmission Owners fail to explain how the proposed Border Rate recognizes the post-2004 distinctions within the PJM Tariff regarding allocation of costs between categories of transmission facilities (e.g. Regional Facilities, Necessary Lower Voltage Facilities, Lower Voltage Facilities, Supplemental Projects and Economic Projects). In particular, it is impermissible for the Transmission Owners to use the Border Rate as a means to impose additional costs for RTEP projects upon MTF customers that, by virtue of holding Firm Transmission Withdrawal Rights, already are subject to the allocation of RTEP charges under PJM Rate Schedule 12. Based on the description of the TEC crediting process proposed, it appears that additional RTEP charges could be imposed upon an MTF customer that is already subject to allocation of RTEP costs under Rate Schedule 12. This discrepancy must be resolved. Accordingly, as described, the Border Rate update and proposed formula rate is not just and reasonable and will produce a rate that is unduly discriminatory in contravention of the Federal Power Act.

Clarifying Questions: In addition to addressing the concerns noted above, LIPA also submits the following clarifying questions:

- Please detail the formula rate protocols that will apply to the annual confirmation and integration of all elements of the Border Rate.
- The Transmission Owners indicate that the Border Rate will be annually updated on January 1, using data as of October 31, 2019. In review of the summary of transmission owner revenue requirements in Attachment D, it appears that the start of rate years differs within the transmission owner group—with a split between January 1 and June 1. Please explain:
 - Whether the annual update to the Border Rate will rely upon the transmission owner revenue requirements and stated rates as in effect as of October 31. If not, please detail the approach that will be taken to confirm the effective transmission owner revenue requirement or stated rate for input into the annual Border Rate.
 - Please explain how the formula for updates to the Border Rate will address the potential for individual transmission owner revenue requirements to be subject to change and refund obligations, within a calendar year, under Section 205 and 206 proceedings before FERC.
- In briefly describing the treatment of individual transmission owner revenue requirements within the revised Border Rate, the Transmission Owners observe that most of the PJM transmission owners derive their revenue requirements through the use of a formula rate and, then state that “...these formula rates vary in how they treat various sources of revenue other than NITS charges.” However, the Transmission Owners then solely address one source of revenue (transmission enhancement charges).
 - Please provide further information as to all other sources of revenue in which there are differing treatment between transmission owners’ formula rates.

- What procedures will be in place for detailing and confirming all adjustments made to individual transmission owner revenue requirements to address difference in treatment of revenue sources, including TEC revenue.
- The Transmission Owners propose that a credit will be provided to a merchant transmission facility owner or its customers taking firm Point to Point Transmission Service “based on the TECs for which they are liable.” Further, the Transmission Owners assert that the credit is “designed to reduce the Border Rate by the proportion that the TECs applicable to the MTF represents of total Border Rate charges.” With respect to this proposal:
 - Please confirm that it is the intent of the Transmission Owners to ensure that MTF Customers which pay TECs under Rate Schedule 12 will not, by virtue of the Border Rate, be subject to any additional charges for RTEP projects.
 - Please explain how reducing the Border Rate “by the proportion that the TECs applicable to the MTF represents of total Border Rate charges” avoids the assessment of any additional RTEP project costs to an MTF customer that is already subject to, and pays, RTEP costs under Rate Schedule 12.
 - Please provide a representative calculation of the TEC crediting mechanism for MTFs, including how the monthly crediting will be administered in instances where the amount of a customer’s firm point-to-point transmission reservation differs from month-to-month.
 - Please explain all protocol that will be applied to the calculation and implementation of the TEC crediting mechanism, including the annual true-up reconciliations and dispute procedures.
- With respect to the non-firm point-to-point transmission service, the Transmission Owners indicate that they plan to continue discounting non-firm point-to-point transmission service under the Border Rate and refer to a “standard” discount. Please confirm that the transmission owners intend to continue discounting the non-firm point-to-point transmission service rate to \$0.67 per MWH.
- Please explain whether the Border Rate will include costs of projects which, under Rate Schedule 12, have been explicitly allocated to a single transmission owner’s zone and therefore not eligible for allocation to load outside of that zone (e.g., Supplemental Projects and Required Transmission Enhancements costing less than \$5 million).

As a final matter, LIPA respectfully requests that the Transmission Owners defer action on their Border Rate proposal until they have: (i) responded to the comments and requests for clarifications provided through this input process; and (ii) conducted further consultation with PJM and the PJM Transmission Customers regarding the nature and scope of the changes to the Border Rate.