

From: Pati Esposito [mailto:pati_esp@hotmail.com]

Sent: Thursday, May 15, 2014 8:52 AM

To: Barrett, Fran S.; McGlynn, Paul

Cc: 'Eli Farrah - Winston'; Markian Melnyk ; Marty Walicki ; Paul McCoy ; 'Mohamed El Gasseir'; Jeffrey C. McManus

Subject: AGD Comments re: The handling of network upgrades

Fran/Paul,

Thank you for taking the time to explain to AGD how attachment facilities and network upgrades are planned to be handled when a State Agreement Approach project is being built by a development firm other than the incumbent Transmission Owner. As we now understand it, attachment facilities and network upgrades that would be required solely because of the SAA project would be constructed by the incumbent TO and recovered in the TO's rate base.

While we can understand that attachment facilities "inside the fence" of a Transmission Owner's facility should be constructed & owned by the Transmission Owners; we had expected the accounting to be handled similar to a merchant interconnection project where the merchant pays for the equipment & installation and turns ownership over to the incumbent TO.

AGD concedes that expense and cost recovery for attachment facilities triggered by an SAA project belong to the incumbent, but doesn't agree this should be the case where facilities being built are an integral part of the selected project to satisfy the open window process (e.g., Artificial Island Window). All integral parts of a selected project are the product of the intellectual property rights of the party whose proposal was accepted, and the expense and cost recovery for all the projects integral parts should be assigned to the party that proposed the accepted project. An integral part of a selected project that is located inside the fence of a TO's facility should be treated as a contribution in aid of construction. The title for such inside-the-fence facility would be transferred to the incumbent TO, to be placed on the TO's books at zero cost, and the investment and recovery thereon would be made by the owner of the selected project.

I will be away on vacation from 5/16 until 5/26; but if you have any questions please feel free to call Eli or Paul @ 202-282-5503 or 708-557-4220 respectively.

Thank you,

Pati