

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF ENERGY MARKET REGULATION

In Reply Refer To:
PJM Interconnection, L.L.C.
Mid-Atlantic Interstate
Transmission, LLC
Docket Nos. ER17-211-000,
ER17-214-000, and
ER17-216-000

Issued: December 28, 2016

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Attention: Steven R. Pincus, Esq.
Associate General Counsel, PJM Interconnection, L.L.C.

John S. Moot, Esq.
Counsel for Mid-Atlantic Interstate Transmission, LLC

Kenneth G. Jaffe, Esq.
Counsel for Mid-Atlantic Interstate Transmission, LLC

Reference: NextEra Energy Transmission MidAtlantic, LLC Transmission Formula
Rate Proposal and Request for Incentive Rates

Dear Mr. Moot, Mr. Pincus, and Mr. Jaffee:

On October 28, 2016, in Docket No. ER17-211-000, PJM Interconnection, L.L.C (PJM), filed, on behalf of Mid-Atlantic Interstate Transmission, LLC (MAIT), pursuant

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to section 205 of the Federal Power Act (FPA)¹ and 18 C.F.R. Part 35, a transmission formula rate template and formula rate implementation protocols (Formula Rate).² PJM states that MAIT, a newly-formed, stand-alone transmission company that has received regulatory approval to acquire the FERC-jurisdictional electric transmission facilities in the State of Pennsylvania owned by Pennsylvania Electric Company (Penelec) and Metropolitan Edison Company (Met-Ed).³ PJM further states that the proposed Formula rate will allow MAIT to change the revenue requirement used to establish the transmission rates charged for the Penelec and Met-Ed Zone under the PJM Open Access Transmission Tariff (PJM Tariff).

Also on October, 28, 2016, in Docket Nos. ER17-214-000⁴ and ER17-216-000,⁵ PJM filed, on behalf of MAIT, pursuant to section 205 of the FPA, modifications to the PJM Tariff, the Amended and Restated Operating Agreement of PJM (PJM OA) and the

¹ 16 U.S.C. § 824d (2012).

² PJM Interconnection, L.L.C., Intra-PJM Tariffs, [OATT Table of Contents](#), [PJM OATT Table of Contents, 21.0.0](#); [OATT ATT H-5, OATT Attachment H-5 - Metropolitan Edison Company, 3.0.0](#); [OATT ATT H-6, OATT Attachment H-6 - Pennsylvania Electric Company, 3.0.0](#); [OATT ATT H-28, OATT Attachment H-28 - MAIT Annual Transmission Rates, 0.0.0](#); [OATT ATT H-28A, OATT Attachment H-28A - MAIT Formula Rate Template, 0.0.0](#); [OATT ATT H-28B, OATT Attachment H-28B - MAIT Implementation Protocols, 0.0.0](#). (MAIT Filing).

³ *See Pennsylvania Elec. Co.*, 154 FERC ¶ 61,109 (2016).

⁴ PJM Interconnection, L.L.C., Intra-PJM Tariffs, [O-P-Q, OATT Definitions – O – P - Q, 12.0.0](#); [SCHEDULE 1A, OATT SCHEDULE 1A, 7.0.0](#); [SCHEDULE 12.APPENDIX 5, OATT SCHEDULE 12.APPENDIX 5 Metropolitan Edison Company, 15.0.0](#); [SCHEDULE 12.APPENDIX 7, OATT SCHEDULE 12.APPENDIX 7 Pennsylvania Electric Company, 16.0.0](#); [SCHEDULE 12.APPX A - 5, OATT SCHEDULE 12.APPENDIX A - 5 Metropolitan Edison Company, 8.0.0](#); [SCHEDULE 12.APPX A - 7, OATT SCHEDULE 12.APPENDIX A - 7 Pennsylvania Electric Compan, 8.0.0](#); [OATT ATT K APPX Sec 5.3, OATT Attachment K Appendix Sec 5.3 Unscheduled Transm, 3.0.0](#); [ATTACHMENT L, OATT ATTACHMENT L List of Transmission Owners, 9.0.0](#); [O-P, OA Definitions O - P, 12.0.0](#); [OA Schedule 1 Sec 5.3, OA Schedule 1 Sec 5.3 Unscheduled Transmission Serv \(Loop\), 2.0.0](#); [OA SCHEDULE 12, OA SCHEDULE 12 - PJM MEMBER LIST, 33.0.0](#).

⁵ PJM Interconnection, L.L.C., Rate Schedules, [ATTACHMENT A, TOA-42 ATTACHMENT A TO THE CONSOLIDATED TRANSMISSION OWNERS, 12.0.0](#).

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Consolidated Transmission Owners Agreement (PJM TOA) (together, the PJM Agreements) in connection with the integration of MAIT into PJM effective January 1, 2017.

Please be advised that your filings are deficient and additional information is necessary to process the filings. Please provide complete responses to the following:

1) Excel Spreadsheet and Template

- a.** Please provide the transmission formula rate template from Attachment H in a workable Microsoft Excel file (compatible with the 2010 version of Excel) that includes all links and formulas used to calculate each cell in the Microsoft Excel file. The spreadsheets must contain all the formulas necessary to calculate the numbers used in the formula. If the spreadsheets use macros, functions, or other techniques to perform iterative functions, please provide an explanation of the macros or functions used, indicate their location in the formula rate, and provide an explanation of how to initiate those functions. The macros and functions should not be set at a default state to run upon opening the spreadsheet. The formulas, variables, and results should be visible and not hidden. The spreadsheets should not use security features that prevent copying, modification, or printing. The spreadsheets should not contain any links to sources outside of the spreadsheet document.
- b.** For illustrative purposes, please provide a hypothetical example of a project whose costs would be recovered under the proposed formula rate template. For this hypothetical example, please provide:

 - i.** A narrative explaining all of the costs.
 - ii.** A workable Microsoft Excel file (compatible with Excel version 2010), populated with the costs detailed in the narrative and adhering to the requirements listed in (1)(a) above.

2) Regulatory Assets

- a.** The Commission has previously found, “To qualify as a regulatory asset, there must be a showing *both* (i) that the costs at issue are unrecoverable in existing rates and (ii) that it is probable that such costs will be determined to be

recoverable in future rates.”⁶ For each of MAIT’s three proposed regulatory assets, please explain how each category meets the Commission’s requirement for inclusion as a regulatory asset.

- i. For each of MAIT’s three proposed regulatory assets, please provide such a showing that the costs at issue were unrecoverable in the rates at the time the costs were incurred.⁷
- b. With respect to its proposed Regulatory Asset – Storms,⁸ MAIT states that “the Pennsylvania Public Utility Commission (PPUC) authorized Met-Ed and Penelec’s deferral and recovery of storm costs resulting from Hurricane Sandy.”⁹ Please document and support this requirement.
- c. With respect to its proposed Regulatory Asset – Vegetation Management,¹⁰ MAIT states that Met-Ed and Penelec “incurred costs associated with a vegetation management program to enhance reliability along their respective transmission corridors in response to directives by the Commission and the North American Reliability Corporation.”¹¹
 - i. Please provide citations to such directives.
 - ii. Please specify when Met-Ed and Penelec established this Regulatory Asset account and when it began incurring costs for said program.

⁶ *PJM Interconnection, LLC*, 109 FERC ¶ 61,012, at P 53 (2004)(emphasis added) (citing *Midwest Independent Transmission System Operator, Inc.*, 103 FERC ¶ 61,205, at P 22 (2003)); *PJM Interconnection, LLC*, 125 FERC ¶ 61,391, *corrected*, 126 FERC ¶ 61,009, *order on reh’g*, 128 FERC ¶ 61,026 (2009).

⁷ MAIT addresses the second criterion in its December 12, 2016 Answer to 28-36.

⁸ MAIT Filing, Attachment H-28A, Att. 16a (Regulatory Asset – Storms).

⁹ MAIT Filing, Att. 6, Ex. No. MAT-20 (Barwood Test.) at 8.

¹⁰ MAIT Filing, Attachment H-28A, Att. 16b (Regulatory Asset – Vegetation Management).

¹¹ MAIT Filing, Att. 6, Ex. MAT-20 (Barwood Test.) at 9.

- d. FERC Account 407.3 as specified in the Commission's regulations, is titled "Regulatory Debits," however, MAIT's proposed formula rate template lists Account 407.3 as "Amortization of Regulatory Assets."¹² Lines 12-14 seems to be circular in reference and be circular in reference, and staff is unsure how these lines can be fixed to provide the total they actually portend to provide.
- e. Please explain the types of costs booked to Account 566 in lines 12 and 13 (Amortization of Regulatory Assets and Miscellaneous Transmission Expenses) and how those expenses will be distinguished (e.g., provide footnote accounting in Form 1 or some other method). Please explain and justify whether each line is intended to be an additive or subtractive amount to expenses, and why.
- f. For each of MAIT's three proposed regulatory assets, please respond to the following:
 - i. Please explain and justify why in Column 2, certain monthly balances are sourced from FERC Form No. 1, and others from company records.
 - ii. Please confirm that company records will be accessible to interested parties under MAIT's proposed formula rate protocols.

3) Affiliate Cost Allocations

- a. MAIT states that "[a]fter the [transfer of their FERC-jurisdictional transmission facilities to MAIT], Met-Ed and Penelec will no longer own a significant amount of FERC-jurisdictional transmission assets (other than interests in land that will be leased to MAIT)."¹³
 - i. Please describe the basis for the lease payments of these leases, and the parties to the lease agreements.
- b. MAIT explains that there are two service agreements governing allocations of the costs of goods and services between affiliates. MAIT explains that:

Consistent with [] Commission precedent, Section VI.A of the Protocols requires that MAIT include in its annual

¹² MAIT Filing, Attachment H-28A, page 3 of 5, line 11.

¹³ MAIT Filing, Transmittal at 5.

informational filing a detailed description of the methodologies used to allocate and directly assigned costs between MAIT and its affiliates by service category or function...^[14]

MAIT provides two agreements: (1) the existing FirstEnergy Service Agreement, pursuant to which the Service Company provides administrative services to other FirstEnergy affiliates and will provide the same services to MAIT¹⁵ and (2) the Revised Amended and Restated Mutual Assistance Agreement, pursuant to which employees of Met-Ed and Penelec, and potentially other affiliates of FirstEnergy, will provide the services required to construct, maintain and operate MAIT's transmission facilities.¹⁶ The agreements allocate administrative and general (A&G) expenses on a mixture of plant, operations and maintenance expenses and revenues. In addition, the formula itself allocates general plant based on plant ratios. For all of the categories listed in the FirstEnergy Service Agreement and the Revised Amended and Restated Mutual Assistance Agreement that are administrative and general costs or general plant costs, the Commission has long-standing preference for allocating these expenses using labor ratios.¹⁷ The Commission normally requires that these expenses be "functionalized" on the basis of the portion of labor costs to total labor costs less A&G and General Plant Labor [as charged to the company's to major operating functions] to include production, transmission, distribution, customer accounts, customer service, information, and sales. This requirement to functionalize based on labor costs was based on a careful analysis of the various overhead expenses and the major functions that they support. To this end, the Commission has required companies

¹⁴ MAIT Filing, Transmittal at 10 (citing *e.g. PJM Interconnection, L.L.C.*, 155 FERC ¶ 61,097, at P 127 (2016)).

¹⁵ MAIT Filing, Att. 6, Ex. No. MAT-24 (FirstEnergy Services Agreement).

¹⁶ MAIT Filing, Att. 6, Ex. No. MAT-25 (Amended FirstEnergy Services Agreement).

¹⁷ *E.g., Entergy Services, Inc.* 143 FERC ¶ 61,120 at, P 14-17 (2013) (rejecting *reh'*g of Opinion No. 506 and upholding Opinion No. 20's policy to use of labor ratios to functionalize A&G expenses to transmission customers. Ruling on the issue of first impression – allowing Entergy to include service company labor in that labor ratio.); *Utah Power & Light Company Co.*, Opinion No. 308, 44 FERC ¶ 61,166, at p. 61,549(1988); *Minnesota Power & Light Co.*, Opinion No. 20-A, 5 FERC ¶61,091, at pp. 61,150 -51 (1978).

to use the wages and salaries allocator unless the company can show that using the wages and salaries allocator will produce unjust and unreasonable results.¹⁸

- c. For all of the categories listed in the FirstEnergy Service Agreement and the Revised Amended and Restated Mutual Assistance Agreement that are administrative and general costs or general plant costs, please explain:
 - i. Why this method is more accurate than using the Commission's preferred wages and salaries allocation factor;
 - ii. Please provide all studies and analyses performed to support your proposed allocators for A&G expenses and General Plant.
 - iii. Identify the amount of A&G costs produced by the two methods for the test periods.
 - iv. Why the wages and salaries allocation method now produces unjust and unreasonable results.
 - v. Whether same affiliate cost allocation methods are used for FERC and State ratemaking purposes.

4) Income Taxes

MAIT's proposed formula rate calculates a tax adjustment of \$1,833,285¹⁹, line 37, = Permanent Differences and AFUDC (Allowance for Funds Used During Construction Equity Tax Adjustment (line 31 times line 33), which MAIT seeks to collect in in wholesale transmission rates.

- a. Referring to Attachment 6, please provide a step-by-step description of how equity AFUDC is treated in your proposed formula rate. Include in your explanation how

¹⁸ *Repeal of the Public Utility Holding Company Act of 1935 and Enactment of the Public Utility Holding Company Act of 2005*, Order No. 667, 70 FR 75592 at P 151 (Dec. 20, 2005), FERC Stats. & Regs. ¶ 31,197 (2005). The Commission has authority to require affiliate allocation data be filed as part of a rate proceeding to ensure that the allocations are prudently-incurred and just and reasonable.

¹⁹ MAIT Filing, Att. 6, Ex. No. MAT-22 (Cost of Service Statements), Attachment H-28A, page 3 of 5, line 37.

the equity AFUDC and associated tax effect is reflected in transmission plant, rate base, depreciation expense, and tax expense.

- b. MAIT shows gross cumulative balance of equity AFUDC in transmission plant of \$854,625.00 at the beginning of the year (December 31, 2016) and end of year balance of \$1,290,556.00 (December 31, 2017), reflecting a net increase of \$435,931.00 or 51 percent. Specifically, this represents the accumulated gross equity AFUDC in transmission plant to date through the end of 2016 for both of MAIT's predecessors plus MAIT's incremental AFUDC equity projected for 2017.
 - i. Please confirm that this is case and explain the fundamental changes for the projected increase in terms of construction work in-progress (CWIP) AFUDC base and differences in AFUDC rates, *i.e.*, caused by historically using short term debt for the AFUDC rate and now possibly changing from an AFUDC rate primarily based on short-term debt to MAIT's weighted cost of capital.²⁰
- c. In addition, please explain what permanent differences and associated tax effects JCP&L plans to include in wholesale rates? Provide a step-by-step description in your answer of how these permanent differences are included in operations and maintenance expenses, gross transmission plant, rate base, depreciation expense, and tax expense.

5) Deferred Income Taxes in Compliance with the IRS's Normalization Rules

In Attachment 3 of MAIT's filing, Mr. Rodger D. Ruch states that MAIT's quarterly projected changes to its accumulated deferred income taxes (ADIT) comply with the IRS normalization rules for future-looking test periods, as interpreted by the IRS in recent private letter rulings. Mr. Ruch also states that that MAIT's ADIT calculation follows the Commission's approved approach taken by Dominion Virginia Power.²¹ Please

²⁰ See 18 C.F.R., Part 101, Electric Plant Instruction No. (17), Allowance for funds used during construction.

²¹ MAIT Filing, Att. 3 (Prepared Direct Testimony and Exhibits of Roger D. Ruch), Ex. No. MAT-1 (Direct Testimony of Roger D. Ruch) at 8-9 (citing *PJM Interconnection, L.L.C. et. al.*, 154 FERC ¶ 61,126, at PP 8, 18 (2016)).

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provide work papers that show development of the monthly and quarterly accumulated deferred income tax accruals for Period II, January 2017 through December 2017.

6) Formula Rate Projections

- a. MAIT explains that it will calculate a Projected Transmission Revenue Requirement (PTRR), which it proposes to define as “the projected net transmission revenue requirement for the forthcoming Rate Year, as well as, where applicable, the most recently calculated True-up, with interest, to be posted on the PJM website no later than October 31 of each year for rates effective in the next calendar year starting January 1.”²² MAIT explains a three step process to determine projections: (1) Project identification and cost estimation; (2) business unit budget creation; (3) senior management review and approval.²³ However, MAIT does not provide the basis for the cost estimations, method, or calculations for the projections.
 - i. Please provide the basis for the cost estimation process described in Ex. No. MAT-20 at 6-7.²⁴
 - ii. Please also explain the method and calculations for the projections. Please use Rate Year 2017 numbers utilized in the Cost of Service Statements included in Exhibit No. MAT-20, to the testimony of Ms. Marlene A. Barwood, particularly the plant and deferred tax projections for the 2017 rate year in Attachment H-28A.²⁵

²² MAIT Filing, Transmittal at 8, 9; PJM Interconnection, L.L.C., Intra-PJM Tariffs, [OATT ATT H-28B, OATT Attachment H-28B - MAIT Implementation Protocols, 0.0.0.](#)

²³ MAIT Filing, Att. 6, Ex. No. MAT-20 (Barwood Test.) at 5-8.

²⁴ MAIT Filing, Att. 6, Ex. No. MAT-20 (Barwood Test.) at 6-7.

²⁵ MAIT Filing, Att. 6, Ex. No. MAT-22 (Cost of Service Statements: MAIT Statement BK for Period II).

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7) Corporate Formation Costs

- a. For the Corporate Formation Costs included in MAIT's formula rate, please identify the portion of those costs that reflect "costs incurred to discuss, gather information, and investigate the feasibility of creating [MAIT]".²⁶

8) Transmission Service Function Responsibilities Among Affiliates

- a. In Docket Nos. ER17-214-000 and ER17-216-000, PJM proposes to change several provisions of the PJM OATT, PJM Operating Agreement, and Consolidated Transmission Owners Agreement (CTOA) (together, Agreements) to effectuate the merger transaction approved in Docket No. EC15-157-000, including MAIT becoming a transmission-owning member of PJM and succeeding the transmission rights and obligations of Met-Ed and Penelec under the CTOA, including constructing, owning, operating, and maintaining the transmission assets of Metropolitan Edison Company and Pennsylvania Electric Company. In spite of this succession and the Formula Rate proposal for MAIT as the Transmission Owner of these Transmission Facilities, the changes to the Agreements preserve these former rate zones as the "Metropolitan Edison Company" and "Pennsylvania Electric Company" Zones for transmission services such as System Control and Dispatch.²⁷
 - i. Please explain why the Commission should not direct PJM to file revisions to the Agreements changing these zones to the MAIT Zone. Please provide documentation to support the explanation.

9) Post-Employment Benefits Other Than Pensions (PBOP)

- a. In the Commission's Policy Statement on Post-Employment Benefits Other Than Pensions (PBOP),²⁸ the Commission required companies to establish an

²⁶ *Pennsylvania Elec. Co.* 154 FERC ¶ 61,109, at P 47 (2016).

²⁷ See, e.g., PJM Interconnection, L.L.C., Intra-PJM Tariffs, [O-P-Q, OATT Definitions – O – P – Q, 12.0.0](#); [SCHEDULE 1A, OATT SCHEDULE 1A, 7.0.0](#).

²⁸ See *Post Employment Benefits other than Pensions*, 61 FERC ¶ 61,330 (1992), *on reh'g* 65 FERC ¶ 61,035 (1994). See also *Maine Yankee Atomic Power Company*, 66 FERC ¶ 61,375 (1994).

irrevocable external trust fund into which the annual test period allowance for PBOPs would be deposited to ensure that the amounts customers are paying for PBOPs will, in fact, be utilized for such purpose, or in the event they are not, customers would obtain refunds from the funds accrued in the trust.

- i. Please confirm MAIT is aware of these requirements and will comply with them.
- ii. Please provide the full actuarial studies that support the proposed PBOP expense amounts in MAIT's proposed formula rate.
- iii. Please explain the formula rate component for "PBOP Expense for current year."²⁹

10) Scope of Transmission Facilities included in Network Integration Transmission Service Rates

- a. MAIT's proposed Attachment H-28 of the PJM Tariff states that "The transmission revenue requirement and the rate for Network Transmission Integration Service...reflect the cost providing transmission service over the 46 kV and higher transmission facilities of [MAIT] in the [Met-Ed] and [Penelec] Zones."³⁰ In addition, MAIT's proposed revisions to Attachment H-5 and H-6 of the PJM Tariff, state that, "Attachment H-5A sets forth the rates for deliveries that utilize Met-Ed's distribution facilities at voltages below 69 kV"³¹ and "Attachment H-6A sets for the rates for deliveries that utilize Penelec's distribution facilities at voltages below 46 kV," respectively.³²
 - i. Please explain whether Met-Ed's facilities between 46 kV and 69 kV will be considered transmission facilities, consistent with MAIT's proposed Attachment H-28, or distribution facilities, consistent with

²⁹ MAIT Filing, Att. 1, Attachment H-28A, Att. 6 (PBOPs), Line 7.

³⁰ PJM Interconnection, L.L.C., Intra-PJM Tariffs, [OATT ATT H-28, OATT Attachment H-28 - MAIT Annual Transmission Rates, 0.0.0.](#)

³¹ PJM Interconnection, L.L.C., Intra-PJM Tariffs, [OATT ATT H-5, OATT Attachment H-5 - Metropolitan Edison Company, 3.0.0.](#)

³² PJM Interconnection, L.L.C., Intra-PJM Tariffs, [OATT ATT H-6, OATT Attachment H-6 - Pennsylvania Electric Company, 3.0.0.](#)

MAIT's proposed revisions to H-5A?

- ii. Please explain how MAIT's proposed treatment of Met-Ed's facilities between 46 kV and 69 kV is just and reasonable.
- iii. Please explain how MAIT proposes to ensure that it does recover rates for transmission and distribution service on Met-Ed's facilities between 46 kV and 69 kV.

11) Cost of Service Statements and Workpapers

- a. In Attachment 6 to MAIT's filing, Ms. Marlene A. Barwood provides direct testimony and exhibits. In Exhibit No. MAT-22, Ms. Barwood provides "certain cost of service statements: specifically a combined Statement BG/BH and a Statement BK for Period II."³³ Please respond to the following questions.
 - i. Please provide all Period I data pursuant to C.F.R. § 35.13(d) and (h), including all statements for which Period II data was provided.
 - ii. Please revise Combined Statement BG/BH to demonstrate the effect of the proposed rate change on Period I data (i.e., 2016 Revenue).
 - iii. Please revise Combined Statement BG/BH to demonstrate the effect of the proposed rate change on rate base for both Period I and Period II data.
 - iv. Please confirm that Combined Statement BG/BH reflects data for Met-Ed and Penelec, rather than Jersey Central Power and Light. If this cannot be confirmed, please revise Combined Statement BG/BH to reflect the Period I and II data from Met-Ed and Penelec.
 - v. Please correct Combined Statement BG/BH Workpaper, WP-01 to reflect the correct zones applicable to MAIT, specifically for the Met-Ed and Penelec Zones.

³³ MAIT Filing, Att. 6, Ex. No. MAT-20 (Barwood Test.) at 4:15-19.

12) Formula Rate Template Attachments

- a. MAIT's proposed Attachment H-28A of the PJM Tariff includes an Attachment 1³⁴ and an Attachment 10,³⁵ which are not explained in the filing or the testimony. Please respond to the following questions for both attachments. Please provide a narrative explaining and justifying the purpose of this worksheet.
- b. H-28A of the PJM Tariff includes an Attachment 17, which details the amortization of abandoned plant.³⁶
 - i. Please explain and justify why in column 2, certain monthly balances are sourced from FERC Form No. 1, and others from company records.
 - ii. Please confirm that company records will be accessible to interested parties under MAIT's proposed formula rate protocols.

13) Formula Rate Protocols

- a. In Section IV, Challenge Procedures, Subsection A, consistent with Commission precedent,³⁷ does MAIT agree to add the following sentence, "This Section IV.A in no way shall affect a party's rights under section 206 of the Federal Power Act (FPA) as set forth in Section IV.I of these protocols."
- b. In Section VII, Calculation of True-Up, Subsection A, consistent with Commission precedent,³⁸ does MAIT commit to using the interest rate equal to: (i) MAIT's actual short-term debt costs capped at the interest rate determined by 18 C.F.R. § 35.19a; or (ii) the interest rate determined by 18 CFR § 35.19, if MAIT does not have short term debt?

³⁴ MAIT Filing, Attachment H-28, Att. 1 (Schedule 1A Rate Calculation).

³⁵ MAIT Filing, Attachment H-28, Att. 10 (Debt Cost Calculation).

³⁶ MAIT Filing, Attachment H-28, Att. 17 (Abandoned Plant).

³⁷ *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,127 (2013); *Midwest Indep. Transmission Sys. Operator, Inc.*, 143 FERC ¶ 61,149 (2013); *Midcontinent Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,212 (2014); and *Midcontinent Indep. Sys. Operator, Inc.*, 150 FERC ¶ 61,025 (2015) (collectively, MISO Protocol Orders).

³⁸ *Id.*

14) Additional Formula Rate Items

- a.** Please provide a narrative explaining and supporting the following points in the formula rate template and accompanying worksheets.

Attachment H-28A (Formula Rate Template)

- i.** Attachment H-28A, page 1 of 5, should include column numbers for each column.
- ii.** Attachment H-28A, page 2 of 5, the source reference (i.e., column 2) for lines 19 - 24 (i.e., Adjustments to Rate Base: Account No. 282, Account No. 283, Account No. 190, Account No. 255), should include a note that clarifies that the costs allocated from these accounts listed in these lines is transmission related only.
- iii.** Attachment H-28A, page 3 of 5, line 12 should include a source in column 2.
- iv.** Attachment H-28A, page 3 of 5, line 31 should be revised to reference “‘T’ from 29”.
- v.** Attachment H-28A, page 3 of 5, line 40, the description of how the Return is calculated should be moved to the source (i.e., column 2) of Line 40.
- vi.** Attachment H-28A, page 3 of 5, line 41, the description of how the Gross Rev. Requirement is calculated should be moved to the source (i.e., column 2).
- vii.** Attachment H-28A, page 3 of 5, line 43, the description of the calculation should be moved to the source (i.e., column 2).
- viii.** Attachment H-28A, page 5 of 5, Note L, should be revised to make the removal of dollar amounts of Transmission Expense consistent with the removal of Transmission Plant, as detailed in Note N.
- ix.** Attachment H-28A, page 5 of 5, Note M should be revised to include the following clause at the end of the sentence “(until Form 1 balances are adjusted to reflect application of seven-factor test).”
- x.** Attachment H-28A, page 5 of 5, Note V, should be revised to indicate the page number for the reference to line 31.

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Attachment 2 (Incentive ROE Calculation)

- xi.** Attachment 2, line 24, the source reference should reference Attachment H-28A, page 3 of 5, line 30, col. 3.
- xii.** Attachment 2, line 25, the source reference should reference Attachment H-28A, page 3, line 31, col. 3.

Attachment 3 (Gross Plant Calculation)

- xiii.** Attachment 3 should be revised to include the FERC Form No. 1 references for all columns in all tables in this attachment.

Attachment 5 (ADIT Calculation)

- xiv.** Attachment 5 should be revised to add titles for both tables in this attachment to make clear that they refer to “ADIT Transmission Total (including Plant & Labor Related Transmission ADITs and applicable transmission adjustments from notes below)” and “ADIT Total Transmission-related only, including Plant & Labor Related Transmission ADITs (prior to adjustments from notes below),” respectively.
- xv.** Attachment 5 should be revised to include the FERC Form No. 1 references for all columns in all tables in this attachment.

Attachment 10 (Debt Cost Calculation)

- xvi.** Please provide a narrative explaining and justifying the purpose of this worksheet. Please explain how this worksheet is proposed to be incorporated into the proposed formula rate template.
- xvii.** Attachment 10, the reference at Line “**” to page 4, line 27, column 5 of the formula rate Attachment H-28A, should be revised to point to Attachment H-28A, page 4 of 5, line 22, column 6.

Attachment 11 (Transmission Enhancement Charge (TEC) Worksheet)

- xviii.** Attachment 11, page 2 of 2, the source reference for line 4, “Additional Incentive Revenue taken to Attachment H-28-A, page 3 of 5, line 42” should be explained.
- xix.** Attachment 11, page 2 of 2, the source reference for line 3, should be explained.

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- xx.** Attachment 11, page 2 of 2, lines 3 and 4 should align with columns 1 through 14.

Attachment 11a (Accumulated Depreciation)

- xxi.** Attachment 11a, page 2 of 2, should include source references to Attachment H-28A (Formula Rate Template) for Accumulated Depreciation figures.

Attachment 12 (Transmission Enhancement Charge (TEC) Worksheet)

- xxii.** Attachment 12, lines 1 through 4, should include column numbers.
- xxiii.** Attachment 12, the source reference for “% of Total Revenue Requirement,” should be revised to read “Col. D. line 2/Col. D. line 3.”
- xxiv.** Attachment 12, Note [A], should be revised to refer to “FERC” not “FEERC”.

Attachment 14 (Other Rate Base Item)

- xxv.** Attachment 14, page 1 of 1, lines 1 through 3, should limit highlighting to columns 1 through 3.
- xxvi.** Attachment 14, page 1 of 1, Note [B], should be revised to clarify note will only be labor related to MAIT.
- xxvii.** Attachment 14, should add a Note [D] that states “Includes transmission-related balance only” to make clear that the tables labeled “Unfunded Reserve- Plant Related” and “Unfunded Reserve – Labor Related.”

Attachments 16a (Regulatory Asset – Deferred Storms), 16b (Regulatory Asset – Vegetation Management), and 16c (Regulatory Asset – Start-up Costs)

- xxviii.** Attachments 16a, 16b, and 16c should be revised to specify the company records listed in column. 2.

Attachment 17 (Abandoned Plant)

- xxix.** Attachment 17 should be revised to specify the company records listed in column 2.

This letter is issued pursuant to 18 C.F.R. § 375.307 and is interlocutory. This letter is not subject to rehearing under 18 C.F.R. § 385.713. A response to this letter must be filed with the Secretary of the Commission within 30 days of the date of this letter by

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making a deficiency filing in accordance with the Commission's electronic tariff requirements. For your response, use Type of Filing Code 180 if your company is registered under program code "E" (Electric Traditional Cost of Service and Market Based Rates Public Utilities).³⁹ In addition, submit an electronic version of your response to Mr. Jonathan Fernandez at jonathan.fernandez@ferc.gov, Mr. Bryan Wheeler at bryan.wheeler@ferc.gov, Ms. Rachel Spiker at rachel.spiker@ferc.gov, and Mr. Theodore Glick at theodore.glick@ferc.gov. The information requested in this letter will constitute an amendment to your filing and a new filing date will be established.⁴⁰ A notice will be issued upon receipt of your filing.

Pending receipt of the above information, a filing date will not be assigned to your filing. Failure to respond to this letter order within the time period specified may result in a further order rejecting your filing.

Sincerely,

Kurt M. Longo, Director
Division of Electric Power
Regulation – East

³⁹ The filing must include at least one tariff record to restart the statutory timeframe for Commission action even though a tariff revision might not otherwise be needed. *See generally Electronic Tariff Filings*, 130 FERC ¶ 61,047, at PP 3-8 (2010) (explaining that the Commission uses the data elements resulting from the tariff filing process to establish statutory filing and other procedural dates).

⁴⁰ *See Duke Power Co.*, 57 FERC ¶ 61,215, at 61,713 (1991) (“[T]he Commission will consider any amendment or supplemental filing filed after a utility’s initial filing . . . to establish a new filing date for the filing in question”).

Document Content(s)

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