

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C) **Docket Nos. ER17-211-000**
Mid-Atlantic Interstate Transmission, LLC)

**COMMENTS ON SETTLEMENT OF THE
OF THE RETAIL ENERGY SUPPLY ASSOCIATION**

Pursuant to Rule 602 of the Federal Energy Regulatory Commission’s (“Commission’s”) Rules of Practice and Procedure, 18 C.F.R. § 385.602, the Retail Energy Supply Association (“RESA”)¹ hereby files these Comments to the Offer of Settlement filed on October 13, 2017, by Mid-Atlantic Interstate Transmission LLC (“MAIT”). In support of these Comments RESA submits as follows:

I. BACKGROUND

On October 28, 2016, PJM and MAIT filed a forward-looking formula rate, protocols and tariff revisions to incorporate into the PJM Tariff, MAIT as a transmission owner. PJM filed in Docket Nos. ER17-214 and ER17-216 related filings associated with MAIT’s admittance to PJM as a Transmission Owner.

On November 20, 2016, RESA filed a Motion to Intervene and Protest. In its Motion to Intervene and Protest, RESA stated that it did not object to the integration of MAIT as a Transmission Owner in PJM. However, RESA sought two modifications to the Formula Rate

¹ The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

Protocols (“Protocols”) submitted as part of the formula rate filing: (1) the timing of the annual update filing; and (2) holding quarterly stakeholder meetings to detail what new investments are expected to be recovered through the next annual rate update. Both of these requested changes were intended to provide transparent, timely information on the costs that will be included in MAIT’s Projected Transmission Revenue Requirement (“PTRR”) filing.

On March 10, 2017, the Commission issued a letter order accepting MAIT’s filing subject to refund, suspending the filing for five months to be effective on July 1, 2017 and setting the proceeding for hearing and settlement judge procedures. *Mid-Atlantic Interstate Transmission, LLC*, Letter Order issued March 10, 2017. After Settlement Judge Coffman was assigned to this proceeding, the parties had five settlement meetings. MAIT held some phone calls with interested parties to address technical issues. RESA participated actively in the settlement discussions.

In the October 13, 2017, Offer of Settlement, MAIT agrees to a number of changes to its formula rate Template and Protocols. MAIT has agreed to a total return on equity of 10.3%. employ a 50/50 hypothetical capital structure for calendar years 2017 and 2018 and for calendar years 2019-2021, the equity component of the rate will be calculated as the lower of (i) MAIT’s actual equity component or (ii) 60%. All Settling parties agree to not make a filing under Federal Power Act (“FPA”) Sections 205 or 206 to propose any changes to or challenges to the 60% cap on the equity component of the capital structure or support such request by another entity.

With respect to the Protocols, MAIT and the Settling Parties agreed to post the PTRR cost information by October 5 of each year. In addition, on September 1 of each year, MAIT will provide upon request, information describing transmission projects forecasted to be placed in service in the following Rate Year that is expected to have a direct cost of \$1,000,000 or greater

or categories of facilities costs in aggregate that total \$3,000,000. Finally, the Template and the resulting rates derived by operation of the Template will be effective on the later of January 1, 2018 or the effective date of the Settlement.

As a result of the new Template and the other agreements of the parties, the rates will be lower than they would be in the absence of the Settlement. However, RESA was disappointed that its modest proposal to obtain estimated cost information during the year and well in advance with respect to the transmission investment costs that would be included in the next PTRR was not a part of the Settlement and was ignored. RESA submits that the Settlement Judge should recommend and the Commission should adopt RESA's proposal as described below.

II. COMMENTS TO THE OFFER OF SETTLEMENT

In its Motion to Intervene and Protest, RESA sought modification to the Protocols to require that MAIT meet with interested stakeholders on a quarterly basis to provide an update on what is likely to be included in the annual update. RESA noted that a meeting need not be in person, but should provide an avenue for MAIT to provide transparency into MAIT's ongoing transmission investments that are expected to have meaningful impacts on the next annual rate update or related true-up adjustments. In particular, this meeting would allow market participants to better plan for expected large increases in the overall rate and to better understand the underlying cause. During each quarterly meeting, RESA requested that MAIT provide both a forecasted projection of both: (i) the next upcoming forward looking NITS rate for the MAIT zone and (ii) any true-up adjustments expected to be included in the next annual rate update. RESA noted that that these projections would only be estimates and would be subject to change. Despite that, RESA noted that it is important to provide market participants with additional ongoing insight into the expected Network Transmission ("NITS") rate changes during the year

rather than only once per year. A quarterly meeting would provide vital information to LSEs, especially as MAIT starts up under this new transmission ownership scheme which is intended to serve as a vehicle for deploying significant future transmission investments with material impacts to the MAIT NITS rate. Because the meeting could be accomplished through a teleconference, the cost associated with this request are *de minimis*.

RESA attempted to work with MAIT to implement its proposal, but was flexible and proposed a number of alternative transparency measures that would provide additional transparency. RESA's goal as it stated in the Motion to Intervene and Protest was to be informed of additional costs that will be included in the PTRR as soon as possible. As RESA has noted on many occasions, competitive retail suppliers offer innovative services to retail customers. RESA offers products that include fixed-price, long-term contracts. Retail suppliers are not like traditional utilities in a number of important ways. For example, retail suppliers are not cost-based regulated by state public utility commissions (although they comply with a myriad of state requirements in order to be authorized to perform services). Retail suppliers do not have a mechanism to defer costs, like traditional utilities. Retail suppliers do not have a set service area. They contract with customers bilaterally. Generally, these contracts are long-term – of a duration of one to five years.

To offer the valuable and innovative services at competitive prices, retail suppliers participating in competitive wholesale markets require market certainty, transparency and stability. Market certainty, transparency and stability allows retail suppliers to offer products and services that they know they can deliver during the term of the applicable contract.

When there are significant increases in a rate that is a component of a rate that a competitive retail supplier offers to customers at a fixed-price, the retail supplier may be at risk

for collecting that increased cost. That is why RESA was flexible during settlement negotiations – the manner in which it receives information is not as important as the actual receipt of information, even in estimated form.

RESA submits that the Commission should impose RESA's initial request submitted in its Motion to Intervene and Protest that the Commission require MAIT to hold quarterly meetings with any interested entity that seeks estimated cost information on what may be contained in the next PTRR. To the extent that the Commission does not require MAIT to hold quarterly meetings, RESA requests that the Commission require MAIT to work with the stakeholders in PJM to improve the Transmission Cost Information Center ("TCIC") tool that is being developed in the PJM stakeholder process to track transmission facilities costs approved and possible rates based on the stage of development of the applicable transmission project. RESA believes that improvements to the TCIC tool will help competitive retail suppliers and other market participants interested in transmission infrastructure cost and rates to track the costs.

Specifically, RESA seeks a requirement that MAIT agree to support at PJM in the PJM stakeholder process refinements in the TCIC tool in order to make the information more accurate and more timely included in the tool ("TCIC Refinements"). RESA seeks refinements in the TCIC Tool so that it contains information on construction work in progress ("CWIP")-related accounts for projects included in the TCIC tool; (2) an obligation of transmission owners with projects included in the TCIC tool to update data and add projects within 30 days of any material change in cost or allocation; and (3) inclusion in the TCIC tool the rate effect of the annual true up required under PJM Attachment H. All of these changes to the TCIC tool would not burden MAIT or other Transmission Owners and would allow entities, like RESA members, to estimate additional transmission costs that may arise in the future by themselves. In order for the TCIC

tool to be effective, however, the information must be accurate.

In short, RESA does not oppose the Offer of Settlement. However, RESA raised these important issues in its Motion to Intervene and Protest and those matters were set for hearing along with the other rate-related issues ultimately settled. The rejection of RESA's request – to improve transparency and the availability of information and work with the parties to accommodate a reasonable approach -- can only be viewed as an intended effort to impede efficient and competitive markets.

WHEREFORE, RESA respectfully requests that its Comments to the Offer of Settlement be considered by the Commission in this proceeding.

Respectfully submitted,

/s/Elizabeth W. Whittle
Elizabeth W. Whittle
Counsel to
The Retail Energy Supply Association

Of Counsel:

Nixon Peabody, LLP
799 Ninth Street, N.W.
Suite 500
Washington, DC 20001
202-585-8338
202-585-8080
ewhittle@nixonpeabody.com

Dated: November 2, 2017

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Comments of the Retail Energy Supply Association via e-mail on each person listed on the Commission's official service list compiled by the Secretary in this proceeding.

Dated in Washington, DC this 2nd day of November, 2017.

/s/Elizabeth Whittle
Elizabeth W. Whittle