

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

Holloman Lessee, LLC)
) Docket No. ER20-2576-000, -001
)

ANSWER OF THE INDEPENDENT MARKET MONITOR FOR PJM

Pursuant to Rule 213 of the Commission’s Rules and Regulations,¹ Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor (“Market Monitor”) for PJM Interconnection, L.L.C. (“PJM”), submits this answer in support of the Joint Customers’ Limited Request for Reconsideration and Alternative Motion for Leave for Interlocutory Appeal (“Motion”), and in response to Order No. 6, issued May 25, 2022, which scheduled the Motion for oral argument on May 31, 2022.² The Motion seeks reconsideration of certain adverse determinations in Order No. 5, issued May 5, 2022, on Joint Customers motion to compel, filed April 1, 2022.

I. ANSWER

At issue are two discovery requests: (i) JI-HL 1.49, which asks for production of a complete and unredacted copy of the tax equity financing arrangement, and (ii) JI-HL 3.12, which asked for a disaggregation of SunEnergy1’s revenue by activity (e.g., Engineering, Procurement and Construction Contract (EPC) activities, operations and maintenance activities, etc.) for each calendar year starting with 2010 and ending with 2021. Both data

¹ 18 CFR § 385.213 (2021).

² Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”), the PJM Operating Agreement (“OA”) or the PJM Reliability Assurance Agreement (“RAA”).

requests relate to the verification of costs relevant to Holloman's proposed rate and are directly relevant to the issues raised in this proceeding.

A. JI-HL 1.49

Joint Customers explain (at 5) that the information sought directly relates to Holloman's failure to reflect the investment tax credits in its calculation of its revenue requirement. Joint Customers explain (at 6) that "Investment tax credits could have a value of as much as 30% of the overall investment in the project," significantly reducing the appropriate level of the revenue requirement.

Joint Customers' concern is that Holloman may argue that it has no benefits left to share with ratepayers because Holloman has transferred the investment tax credits to its tax-equity investors. The Market Monitor agrees that the investment tax credits are a relevant issue and that appropriate treatment of the investment tax credits is an essential part of this case. Order No. 5 states (at P 14) that "only knowledge of the amount of the tax credits" is required. The Market Monitor agrees that knowledge of the total amount of the tax credits is sufficient because the entire amount of the investment tax credits should reduce the capital investment and therefore the revenue requirement regardless of whether the investment tax credits were "transferred" to tax-equity investors. Holloman simultaneously ignores the fact that their actual cost of capital is significantly lower as a result of the tax-equity investors. Instead, Holloman wants to use the local transmission owner's regulated cost of equity, complete with RTO adder, rather than the actual, lower cost of capital from the tax-equity investors.

Joint Customers have raised concerns about self dealing that remain unanswered. Potential self dealing is relevant to an evaluation of the costs included in a revenue requirement.³ Reasonable discovery to investigate potential self dealing is appropriate. An

³ See Order No. 5 at P 15.

assessment of self dealing typically involves an assessment of whether goods and services are provided at fair market value. The filing party is in possession of information about its project. The point of discovery is to allow intervenors an opportunity to investigate the facts. Foreclosing discovery because intervenors do not already have facts supporting their concern is illogical, and contrary to the purpose of a hearing.

That Holloman intends to rely on Dominion's ROE is not a reason to foreclose discovery on this issue.⁴ The Market Monitor does not agree that reliance on Dominion's ROE is appropriate and filed testimony addressing this issue.⁵ Reliance on Dominion's ROE is a contested issue in this proceeding. The ROE issue is inextricably related to the investment tax credit issue because the investment tax credits reduce the capital investment and the cost of capital.

B. JI-HL 3.12

Order No. 5 denied (at P 25) the Motion to Compel with respect to Data Request No. 3.12, characterizing the request as "vague."

Joint Customers explain (at 9) that SunEnergy1 allocates certain overhead costs to Holloman, which directly affect Holloman's revenue requirement. The information concerns SunEnergy1's allocation method. The information requested will assist a determination of how overhead is allocated.

The parties do not know SunEnergy1's allocation method. If there is an allocation of overhead, there is either an allocation method or the allocation is arbitrary. Inquiry into the basis for a specific allocation method is not vague because only Holloman knows the answer. Holloman has not established that there is any link between overhead and the cost of reactive. Any such link can only be supported by an allocation method.

⁴ See Order No. 5 at P 14.

⁵ See Exhibit IMM-0001 at 8:7-10:30.

The information is relevant to an evaluation of the revenue requirement to the extent that any overhead is included in the revenue requirement. If a cost is included in the revenue requirement that customers will be required to pay, information about it is relevant.

If information supporting an allocation is too burdensome to provide, then Holloman can avoid the burden by eliminating the request that customers pay overhead costs as part of the cost of reactive power. That would be the appropriate outcome.

If Holloman fails to provide information, then Holloman should not be permitted to include any allocation of overhead in its revenue requirement. The Market Monitor shares the Joint Customers' concerns and agrees that the requested relief should be granted. Holloman must back its revenue requirement with evidence. Holloman's representations are not a substitute for evidence.

II. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to this answer as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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Dated: May 27, 2022

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Eagleville, Pennsylvania,
this 27th day of May, 2022 .



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