

I. ANSWER

In their answer, Tenaska (at 6–8) and Duke (at 4–5) attempt to obfuscate the central fact relevant to the adjustment of the proposed adjustment to X factor for the facilities affected: Units that will receive a reduced X factor have been paid or will be paid in full from customers in PJM for their entire investment in black start service equipment with an expected life of 15 years, but these units, nonetheless, intend to charge customers in PJM a second time for the same service during the remaining ten or more years of investment life. These units are not entitled to any recovery during the remaining life of this investment. A reduction of the X factor by half is a compromise that provides an incentive for these units to continue providing service on a voluntary basis and some equitable relief to ratepayers in the affected Zones.

The reason why units that recover new or additional investment under the revised Schedule 6A do not require a reduced X factor is not because they sought such recovery after April 29, 2009, but because under the terms of Schedule 6A, effective on that date, such units must complete (unlike the units subject to a reduced X factor) a period of service equal to their entire expected investment life before they are eligible to begin collecting the full X factor on the same basis as legacy units (i.e., fully depreciated units). The relevant distinction then, is between units that have provided service for a period matched to their investment recovery period and those that have not provided

such service. It is not discriminatory to avoid double payment for the same service. On the contrary, this treatment is consistent with basic ratemaking principles.³

Tenaska's example (at 6–7) ignores this key difference between its two example units: a unit that recovers on a non-accelerated basis necessarily recovers its costs over the expected life of its investment. "Acceleration" means that recovery is complete while some portion of the investment life remains. Moreover, Tenaska ignores the problem with the prior formula rate (legacy rate) that the PJM revisions corrected, namely, that there was no provision under the formula rate for the recovery of new or additional investment. The legacy rate included an incentive (and a rather generous one) for fully depreciated units to continue to provide service (i.e., after their appropriately matched period of service and investment recovery was completed).

Tenaska claims that the proposed reduced X factor has retroactive effect, even though it is effective only post April 29, 2009. Tenaska claims (at 8–9) that the reduction in the X factor retroactively applies a longer commitment period. The reduced X factor has no impact on the commitment period established under paragraph 5. Indeed, the reason for paying any additional amounts to black start units for service during periods for which black start units have already been fully paid for such services is to preserve

³ See, e.g., *Dynegy Midwest Generation, Inc.*, Opinion No. 498, 121 FERC ¶61,025 at PP 68-70 (2008).

some incentive for such units to voluntarily continue to provide such service when the obligation to do so has not been made explicit.

Tenaska also argues (at 8–10) that “new or additional” costs could not, by definition, be incurred or recovered prior to April 21, 2009,” referring to language in the Commission’s compliance directive to PJM.⁴ This passage concerns the Commission’s request for additional explanation; the Commission does not “explicitly,” or even implicitly, reject anything in this passage. Moreover, this passage pertains to cost recovery for new and additional capital costs for the new formula rate for recovery pursuant to paragraph 6, not to recovery under the legacy formula rate continued in paragraph 5. As explained above, the reduced X factor provides an incentive for continued service, under paragraph 5, in a situation where no express obligation to provide service matches the payment received in full for that service.

II. MOTION FOR LEAVE TO ANSWER

This answer provides for a more complete record that will facilitate the Commission’s decision making process. The Commission has found good cause exists to accept an answer when the answer helps the Commission understand the issues or provides useful and relevant information that will assist the Commission in its

⁴ See *PJM Interconnection, L.L.C.*, 127 FERC ¶61,197 at P33 & n.21 (2009).

decision-making process.⁵ For these reasons, the Market Monitor requests that the Commission waive the rule against answers to answers⁶ and accept this pleading.

III. CONCLUSION

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

Respectfully submitted,



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⁵ See, e.g., *PJM Interconnection, L.L.C.*, 119 FERC ¶61,318 at P 36 (2007) (accepted answer to answer that « provided information that assisted ... decision-making process«); *Columbia Gas Transmission Corporation*, 110 FERC ¶61,063 at P 4 n.3 (2005) (accepted answers to answer that “allow a better understanding of the issues”); *Morgan Stanley Capital Group, Inc. v. New York Independent System Operator, Inc.*, 93 FERC ¶61,017 at 61,036 (2000) (accepted answer to answer found “helpful in the development of the record”); *Revision Of Existing Regulations Under Part 157 and Related Sections of the Commission’s Regulations Under the Natural Gas Act*, Order No. 603-A, 88 FERC ¶61,297 mimeo at 7 (1999) (accepted answer to answer “[t]o achieve a complete and accurate record”); *SFPP, L.P.*, 127 FERC ¶61,312 at P 17 (2009) (accepted answer “further elucidating the issues”).

⁶ 18 CFR § 385.213(a)(2).

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 28th day of August, 2009.



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