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PUBLIC SERVICE COMMISSION

Adrien Ford, Facilitator
Amanda Egan, Secretary
PJM Capacity Senior Task Force
955 Jefferson Avenue
Norristown, PA 19403

August 7, 2014

Re: Triennial Review of Reliability Pricing Model

Dear Adrien & Amanda:

This statement provides an explanation for several changes which we are making in the Maryland PSC's Solutions Package included in the CRSTF Solutions Matrix (See Attachment A). Several of these changes simply provide greater detail respecting our position, or adopt positions advanced by others since our initial position was presented. However, several of the changes require further explanation and it is the purpose of this statement to provide that needed explanation.

As respects Line 1 (Gross CONE), the MD PSC is updating its position to reflect the presentation and its adoption of the modifications to PJM/Brattle Gross CONE made by Monitoring Analytics. We are also advising explicitly that we propose that this value be further adjusted to adopt full level-real costing and state in Line 2 (based on the differential provided by Brattle from level-nominal costing of 15%) what the resulting Gross CONE value would be (\$107.35). Finally, as stated in our July 29 Position Statement, the MD PSC believes that Brattle has chosen improper and unreasonably high cost labor pools as the only basis for generation development in SWMAAC, and has moreover failed to reflect possible personal and property tax offsets to statutory tax rates and assessments (i.e. possible "negotiated payments in lieu of taxes" and development/enterprise zone tax relief). Based upon our review of the possible magnitude of these errors and omissions, we have also proposed conditional adjustments to the PJM/Brattle values if for some reason the PJM Board or FERC should fail to adopt the IMM's proposed adjustment. Because the IMM's adjustment also covers these same cost areas, we do not propose that both adjustment's be adopted, and support the IMM adjustment as being the more comprehensive and well supported. We also note our view that capital cost allowances should be substantially reduced if level nominal costing is improperly continued (see our July 29 Position Statement) and thus note our acceptance of such lower estimates if our and Brattle's proposed use of level-real costing is denied. Finally, although the IMM's Gross CONE adjustment applies explicitly only to PJM's CT reference technology, the cost categories being adjusted and the reasons for the adjustment, in the Maryland PSC's view, also apply to the PJM/Brattle estimates of combined cycle plant Gross CONE, and therefore an adjustment to these latter estimates is also proposed (see line 12).

Sincerely,

A handwritten signature in black ink that reads "Walter R. Hall II".

Walter R. Hall II

