STATE OF MARYLAND
Office of the Governor
The Honorable Larry Hogan
State House
100 State Circle
Annapolis, Maryland, 21401

STATE OF DELAWARE
Office of the Governor
The Honorable John Carney
2nd Floor - State Capitol
150 Martin Luther King Jr. Blvd South
Dover, DE 19901

November 27, 2017

The Honorable Neil Chatterjee
The Honorable Cheryl A. LaFleur
The Honorable Robert F. Powelson
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

RE: Artificial Island Cost Methodology
Docket Numbers EL15-95 and ER15-2563

Dear Chairman Chatterjee, Commissioner LaFleur and Commissioner Powelson:

Now that the Federal Energy Regulatory Commission ("Commission") has a quorum and is getting closer to a full complement of commissioners, we are writing to request the Commission act expeditiously and schedule the rehearing previously granted by FERC, on the matter of cost allocation for the Artificial Island project (Docket Numbers EL15-95 and ER15-2563).

We know the Commission is likely in the process of prioritizing its schedule to address the backlog of cases that materialized in the weeks leading up to the restoration of a quorum. On behalf of ratepayers in our States, we request that the Commission prioritize our request and reject the application of the solution-based distribution factor (DFAX) method to the Artificial Island Project in favor of a fairer alternative cost allocation methodology.

We are not opposed to the Artificial Island project itself, but object to unfair and unreasonable costs for ratepayers in the Delmarva Zone. The estimated in-service cost of the project will be $278 million, according to the most recent projections presented by PJM Interconnection, LLC (PJM) to the Transmission Expansion Advisory Committee on March 3, 2017. Under the current cost allocation methodology, the solution-based DFAX, more than 90 percent of the cost (or $250 million) of the project will be borne by ratepayers in the Delmarva Zone. Despite being burdened with the vast majority of the cost, these ratepayers will receive just 10 percent of the project's benefits. Such an extreme divergence in costs and benefits violates all notions of fairness. As a result, the average residential and commercial customer will pay significantly higher rates. For many families this simply will be unaffordable and for many businesses it could mean closures and job losses. This economic burden to Delmarva is unacceptable and blatantly unfair.

On June 9, 2017, PJM published a report that was later filed with the Commission, detailing two alternative methodologies for identifying the beneficiaries of the Artificial Island Project—the Stability Interface Distribution Factor Method and the Stability Deviation Method. These methods produce a result that better represents the regional benefits to be obtained from the Artificial Island project. Accordingly, either would serve as a more suitable system for allocating the costs of the project. We request that the Commission adopt one of these alternative methodologies as a more appropriate cost allocation mechanism for the project.

Thank you in advance for considering our request and for considering the interests of Maryland and Delaware ratepayers.

Sincerely,

Larry Hogan
Governor of Maryland

John Carney
Governor of Delaware

cc: Kevin McIntyre, Federal Energy Regulatory Commission
Richard Glick, Federal Energy Regulatory Commission
The Honorable W. Kevin Hughes, Maryland Public Service Commission
The Honorable Dallas Winslow, Delaware Public Service Commission
Mr. Howard Schneider, PJM Interconnection, LLC