



VIA EFILING

September 7, 2016

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: Constellation Power Source Generation, LLC, Docket No. EL16-57-000

Dear Secretary Bose:

Pursuant to Rule 602 of the Commission's Rules of Practice and Procedure, 18 CFR § 385.602 (2012), Monitoring Analytics, LLC acting in its capacity as the Independent Market Monitor for PJM ("Market Monitor"), submits this response to the offer of settlement submitted by Constellation Power Source Generation in the above proceeding on August 18, 2016.

The Market Monitor opposes the offer of settlement unless it includes the following terms and conditions:

- The power factor for each unit will be set for all purposes in this reactive filing on the basis of the most recent test of reactive capability performed in conjunction with PJM. The revenue requirement for reactive capability will be recalculated based on the correct power factor.
- Any provision for the recovery of heating losses will be eliminated from the reactive capability rate.
- Rates for reactive capability will be separately stated for each generating unit, and the rate will be automatically terminated for any unit that is transferred to another owner or deactivated.
- To the extent that a cost is included in a unit's reactive capability rate, such cost will not be included in any cost-based offer submitted in PJM markets.
- To the extent that the FERC changes its policy on the recovery of rates for reactive capability such that (i) variable costs are excluded wholly or partly from recovery and/or (ii) costs are excluded unless incurred solely to provide reactive capability will be filed for each unit consistent with the FERC's directive. Such filing will be submitted no later

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than the earlier of the deadline specified by the FERC or three months after FERC has provided notice of such policy change.

It is essential the rates for reactive power capability, if they are permitted at all as separate cost of service rates, are based on cost components that are accurate and consistent with current Commission policies on reactive rates. It is also important that such rates for units in PJM operate consistent with participation in competitive markets and do not result in over recovery of costs.

The above terms and conditions are acceptable for settlement purposes only. Consistent with its comments filed on July 29, 2016, in Docket No. AD16-17, the Market Monitor takes the position that the Commission should discontinue the practice of allowing cost of service rates for reactive capability, but, if such practice is nonetheless continued, that the costs eligible for recovery as reactive capability costs include only a unit's fixed costs and only those fixed costs incurred solely for the purpose of providing reactive service.

Sincerely,



Jeffrey Mayes
General Counsel