

126 FERC ¶ 61,231
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Acting Chairman;
Sudeen G. Kelly, Marc Spitzer,
and Philip D. Moeller.

PJM Interconnection, L.L.C.

Docket No. ER08-1065-001

ORDER DENYING REHEARING

(Issued March 19, 2009)

1. In this order, the Commission denies the request by the Illinois Commerce Commission (ICC) for rehearing of an order accepting the assignment of cost responsibility on a region-wide basis for specific projects approved through the PJM Interconnection, L.L.C. (PJM) Regional Transmission Expansion Plan (RTEP) process.

I. Background

2. The Commission has accepted a proposal by PJM that allocates, on a region-wide basis (postage-stamp allocation), the costs of new, centrally-planned facilities that operate at or above 500 kV.¹ In Opinion No. 494, the Commission found that a postage-stamp cost allocation methodology best addresses the region-wide nature of the reliability benefits of transmission facilities that operate at or above 500 kV.² The Commission ordered PJM to submit a compliance filing implementing the necessary revisions to PJM's Open Access Transmission Tariff (OATT or Tariff) to effectuate the regional cost allocation methodology, and on May 21, 2007, PJM submitted revisions to Schedule 12 of its Tariff to assign cost responsibility for facilities that operate at or above 500 kV and the lower voltage facilities necessary to support such facilities on a region-wide basis.

3. In Opinion No. 494-A, the Commission denied the requests for rehearing of Opinion No. 494,³ reaffirming that transmission facilities that operate at or above 500 kV

¹ *PJM Interconnection, L.L.C.*, Opinion No. 494, 119 FERC ¶ 61,063 (2007), *order on reh'g and compliance filing*, Opinion No. 494-A, 122 FERC ¶ 61,082, *order denying reh'g*, 124 FERC ¶ 61,033 (2008).

² Opinion No. 494, 119 FERC ¶ 61,063 at 76.

³ ICC had protested and sought rehearing of Opinion No. 494.

provide region-wide reliability benefits, and the rolled-in approach is justified because the benefits of such facilities are sufficiently broad to support a postage-stamp allocation methodology, and approved the May 21, 2007 compliance filing.⁴

4. On June 3, 2008, PJM, in accordance with Schedule 12 of the PJM Tariff and section 1.6 of Schedule 6 of the PJM Operating Agreement, filed amendments to reflect the assignments of cost responsibility for collection of the transmission enhancement charges for four baseline upgrades that will operate at or above 500 kV and were included in the RTEP approved by the PJM Board of Managers (June 3, 2008 RTEP filing).⁵

5. ICC protested the June 3, 2008 RTEP filing. ICC contended that the projects proposed for region-wide cost allocation will not provide benefits to electricity customers in Illinois. ICC contended that neither the Commission nor PJM has provided support for the conclusion that the benefits of transmission facilities at and above 500 kV are sufficient to support a region-wide postage stamp cost allocation.

6. ICC argued that assignment of cost-responsibility on a region-wide basis is a departure from Commission precedent that costs should be allocated to those responsible for imposing the burdens or receiving the benefits from the underlying project. Moreover, the ICC contended that the proposed projects may actually harm Illinois electricity customers in the form of higher locational marginal prices in the ComEd zone.

7. On August 28, 2008, the Commission accepted PJM's revised tariff sheets, subject to refund and subject to the outcome of further proceedings.⁶

II. Request for Rehearing

8. ICC has requested rehearing of the August 28, 2008 Order. ICC claims that PJM allocates costs to customers in Illinois for transmission projects for which Illinois electricity users neither create costs, nor benefit from the projects. ICC contends that

⁴ Opinion No. 494-A, 122 FERC ¶ 61,082 at P 63.

⁵ PJM also sought to assign cost responsibility on a regional basis for a project that was previously excluded from region-wide cost allocation.

⁶ *PJM Interconnection, L.L.C.*, 124 FERC ¶ 61,197 (2008) (August 28, 2008 Order).

such an outcome is in violation of the Commission's cost-causation principles, and the Federal Power Act section 205 requirement of just and reasonable rates.⁷

III. Commission Determination

9. ICC has raised in protest and on rehearing in this proceeding the same issue that it had raised in protest and on rehearing of Opinion No. 494: that is, the cost allocation methodology for new, centrally-planned transmission facilities that will operate at or above 500 kV. As noted above, in Opinion No. 494, and on rehearing in Opinion No. 494-A, the Commission found that transmission facilities that operate at or above 500 kV provide region-wide reliability benefits, and the rolled-in approach is justified because the benefits of such facilities are sufficiently broad to support a postage-stamp allocation methodology. For the reasons addressed in Opinion Nos. 494 and 494-A, we deny ICC's request for rehearing in this proceeding.⁸

The Commission orders:

The request for rehearing of the Illinois Commerce Commission is hereby denied, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

⁷ 16 U.S.C. § 824d (2006).

⁸ Opinion No. 494, 119 FERC ¶ 61,063 at 76; Opinion No. 494-A, 122 FERC ¶ 61,082 at P 63.