

136 FERC ¶ 61,181
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

PJM Interconnection, L.L.C.
Trans-Allegheny Interstate Line Company

Docket No. ER11-3064-001

ORDER DENYING CLARIFICATION AND REHEARING

(Issued September 15, 2011)

1. Trans-Allegheny Interstate Line Company (TrAILCo) seeks clarification, or in the alternative rehearing, of a Commission order issued in this proceeding on May 13, 2011.¹ For the reasons discussed below, we deny clarification and rehearing of the May 13 Order.

Background

2. On March 11, 2011, TrAILCo proposed revisions to its existing cost of service formula rate, a rate schedule included in the PJM Interconnection, L.L.C. Open Access Transmission Tariff (OATT). In its filing, TrAILCo claimed that it had incurred abandonment costs attributable to a transmission project, the TrAIL Line Project (a project described more fully below). TrAILCo sought to recover these costs in its formula rate, consistent with the Commission's prior grant of a transmission investment rate incentive permitting TrAILCo's then-parent, Allegheny Energy, Inc. (Allegheny), to recover abandonment costs incurred in connection with the TrAIL Line Project, subject to conditions.²

3. In an earlier February 2006 filing, Allegheny had submitted a transmission investment incentive request for a proposal to connect Allegheny's existing Wylie Ridge

¹ *PJM Interconnection, L.L.C.*, 135 FERC ¶ 61,128 (2011) (May 13 Order).

² This abandonment authorization was granted by the Commission in *Allegheny Energy, Inc.*, 116 FERC ¶ 61,058 (2006) (Allegheny Incentive Order), *order on reh'g*, 118 FERC ¶ 61,042 (2007).

Substation in West Virginia to a new substation in Frederick County, Maryland. Allegheny also had requested that its incentive apply to any modified plan as may be approved for inclusion in PJM's Regional Transmission Expansion Plan (RTEP).

4. Subsequently, on June 23, 2006, PJM granted RTEP authorization for the TrAIL Line Project, a modified project. PJM's RTEP authorization covered the construction of a 500 kV transmission line from southwestern Pennsylvania to Virginia and related facilities, including the construction of the facilities at issue in this proceeding (i.e., the Prexy Facilities): (i) a 500/138 kV substation located in Washington County, Pennsylvania (the Prexy Substation); (ii) three 138 kV transmission lines originating at the Prexy Substation and connecting with existing Allegheny transmission facilities in Pennsylvania; and (iii) a 500 kV line segment connecting a 502 Junction Substation in Washington County, Pennsylvania to the Prexy Substation.

5. PJM also listed the Prexy Facilities in its Schedule 12 Appendix for the purpose of allocating the costs. The costs for facilities rated below 500 kV were allocated to the Allegheny Power zone.

6. TrAILCo commenced the state permitting process associated with its proposed construction of these facilities, including the submission of applications for a certificate of public convenience and related authorizations before the Pennsylvania Public Utility Commission (Pennsylvania Commission). However, on August 21, 2008, a ruling issued by a Pennsylvania Commission Administrative Law Judge (Pennsylvania ALJ) recommended denial of TrAILCo's applications. A partial settlement was subsequently approved by the Pennsylvania Commission on December 12, 2008, pursuant to which TrAILCo agreed not to seek eminent domain authority for the Prexy Facilities.³ In a separate settlement approved by the Pennsylvania Commission on November 19, 2010, an alternative upgrade was approved.⁴ Upon the determination not to move forward with the Prexy Facilities, PJM filed to remove the cost allocation for these facilities from its OATT.⁵

³ See *In Re: Application of Trans-Allegheny Interstate Line Company*, Docket Nos. A-110172, *et al.* (December 12, 2008).

⁴ See *In Re: Application of Trans-Allegheny Interstate Line Company*, Docket Nos. A-110172, *et al.* (November 19, 2010).

⁵ See *PJM Interconnection, L.L.C.*, 130 FERC ¶ 61,103 (2010) (Cost Allocation Report Order).

May 13 Order

7. In response to TrAILCo's March 11, 2011 filing, in the May 13 Order, the Commission found that the costs associated with the planning and development of the Prexy Facilities cannot be recovered as abandonment costs. The Commission found that because these costs were incurred as a result of siting and engineering changes attributable to a larger project, the TrAIL Line Project, such costs are instead includable as costs in TrAILCo's portion of this larger project. As such, the Commission found that TrAILCo would be permitted to capitalize these costs together with other construction costs associated with the development of the TrAIL Line Project.⁶

Request for Clarification and Rehearing

8. TrAILCo requests that the Commission, on rehearing, issue all authorizations and/or directives, as may be required, to allocate the costs attributable to TrAILCo's planning and development of the Prexy Facilities rated below 500 kV.⁷ TrAILCo notes that while the Commission, in the May 13 Order, held that TrAILCo can capitalize these costs together with other construction costs associated with the development of the TrAIL Line Project, the May 13 Order failed to address the tariff authorizations that will be required to effectuate these allocations for those facilities rated below 500 kV.

9. TrAILCo explains that PJM allocates the costs for RTEP projects that are, or will be, placed into service pursuant to its OATT, i.e., in the Appendix to Schedule 12 ("Required Transmission Enhancements, Responsible Customers and Associated Transmission Owner Revenue Requirements"), with the costs of new transmission

⁶ May 13 Order, 135 FERC ¶ 61,128 at P 16. The May 13 Order also dismissed, as moot, a request made by Exelon Corporation (Exelon) regarding cost allocation issues. *Id.* P 17. Exelon, in its comments, had stated that, while it took no position regarding the reasonableness of the costs TrAILCo sought to recover, the allocation of these costs was left unaddressed by TrAILCo's filing. Exelon therefore requested that, were the Commission to accept TrAILCo's filing, such acceptance should be made subject to the outcome of the Opinion No. 494 remand proceeding regarding the appropriate allocation of these costs. *Id.* P 10; *see PJM Interconnection, L.L.C.*, Opinion No. 494, 119 FERC ¶ 61,063, at P 53 (2007), *reh'g denied*, Opinion No. 494-A, 122 FERC ¶ 61,082, *reh'g denied*, 124 FERC ¶ 61,033 (2008), *reh'g and clarification denied*, 127 FERC ¶ 61,092, *aff'd in part and reversed in part, Illinois Commerce Commission v. FERC*, 576 F.3d 470 (7th Cir. 2009); *PJM Interconnection, L.L.C.*, 130 FERC ¶ 61,052 (2010) (order establishing paper procedures).

⁷ As noted above, the Prexy Facilities also include lines rated at, or above, 500 kV. However, TrAILCo seeks no clarifications regarding cost allocation matters related to these facilities.

facilities that are less than 500 kV allocated to those zones based on PJM's flow model. TrAILCo adds that, while the Schedule 12 Appendix *previously* included allocations for the Prexy Facilities rated at less than 500 kV (as listed as project b0321), PJM removed these allocations from its OATT when the plans to include these facilities in the TrAIL Line Project were withdrawn.⁸

10. Accordingly, TrAILCo seeks clarification that the May 13 Order directs TrAILCo to allocate the costs of the Prexy Facilities rated less than 500 kV as originally designated by PJM in its OATT. TrAILCo further requests that that the Commission direct PJM to amend its Schedule 12 Appendix to include this allocation.

Discussion

11. For the reasons discussed below, we deny TrAILCo's request for clarification and rehearing. TrAILCo makes two requests. First, TrAILCo seeks clarification that the May 13 Order directs TrAILCo to allocate the costs of the Prexy Facilities rated less than 500 kV as originally designated by PJM, in its Schedule 12 Appendix, i.e., pursuant to PJM's methodology applicable to facilities rated 500 kV or below, not pursuant to the methodology applicable to facilities rated 500 kV or above.⁹ Second, TrAILCo requests that, if the Commission concludes that the original allocation for the Prexy Facilities designated by PJM in its Schedule 12 Appendix is proper for facilities rated below 500 kV, PJM be directed to amend its Schedule 12 Appendix, consistent with this prior designation.

12. We deny TrAILCo's request. The May 13 Order made no changes to the cost allocation related to the Prexy facilities and the TrAIL Line Project. TrAILCo acknowledges that the cost responsibility assignments it raises on rehearing, including the parties' respective filing rights to recover these cost assignments, are governed by Schedule 12 of the PJM OATT.¹⁰ TrAILCo did not submit a cost allocation proposal in the March 11, 2011 filing and the Commission did not rule on that issue in the May 13 Order. The only issue in this case was whether TrAILCo should be permitted to treat the

⁸ See *PJM Interconnection, L.L.C.*, 130 FERC ¶ 61,103 (2010) (Cost Allocation Report Order).

⁹ The designations to which TrAILCo refers are those reflected in the Schedule 12 Appendix *prior* to PJM's filing to change these designations in Docket No. ER10-268-000. See Cost Allocation Report Order, 130 FERC ¶ 61,103 at P 13.

¹⁰ See PJM OATT, Schedule 12(b)(i)-(v) ("Designation of Customers Subject to Transmission Enhancement Charges") and (b)(vii) ("FERC Filing").

costs related to the Prexy facilities as abandonment costs.¹¹ Since PJM withdrew the Prexy Facilities from Schedule 12, the issue of cost allocation should be raised in a filing to reinstate these facilities in Schedule 12.¹²

The Commission orders:

TrAILCo's request for clarification and rehearing is hereby denied, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

¹¹ Even had the Commission accepted TrAILCo's abandonment application, that underlying filing did not address the issue of cost allocation for the abandonment costs, which would have had to be addressed in a subsequent filing.

¹² Schedule 12 requires PJM to submit amendments to its Schedule 12 Appendix reflecting the cost responsibility assignments for new transmission enhancements and expansions. Pursuant to Schedule 12, PJM is required to designate in its Schedule 12 Appendix cost responsibility assignments for transmission enhancements and expansions included in the RTEP, including upgrades operating below 500 kV. Schedule 12 also requires that PJM, within 30 days of the PJM's Board's approval of an RTEP or additions to the RTEP, designate in the Schedule 12 Appendix (and in a report to be filed with the Commission) the responsible customers that will be subject to charges related to transmission enhancements and expansions included in the RTEP. The PJM OATT also provides transmission owners with the ability to make section 205 filings with respect to Schedule 12.