

116 FERC ¶ 61,140
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

PJM Interconnection, L.L.C.

Docket Nos. ER06-319-003
ER06-1136-000
(Not consolidated)

ORDER ON REHEARING AND ACCEPTING TARIFF FILING

(Issued August 11, 2006)

1. Virginia Electric Power Company (Dominion) requests rehearing of the Commission order issued in this proceeding on May 11, 2006.¹ The May 11, 2006 Order granted Allegheny Power's² request for rehearing of the Commission's February 9, 2006 order³ in this proceeding and rejected PJM Interconnection, L.L.C.'s (PJM) December 13, 2005 filing to revise Schedule 2 of its open access transmission tariff (OATT) to reflect the addition of Allegheny Energy Supply Company, LLC's (AE Supply) and Monongahela Power Company's (Mon Power) reactive power revenue requirements for their share of the Bath County generation facility (Bath Facility).⁴ The May 11, 2006 Order also rejected PJM's March 13, 2006 filing to comply with the February 9, 2006 Order. For the reasons discussed below, we deny Dominion's request for rehearing.

¹ *PJM Interconnection, Inc.*, 115 FERC ¶ 61,166 (2006).

² Allegheny Power is the trade name for Monongahela Power Company, The Potomac Edison Company, and West Penn Power Company.

³ *PJM Interconnection, Inc.*, 114 FERC ¶ 61,123 (2006).

⁴ The Bath Facility is jointly owned by Dominion (60 percent) and Allegheny Generating Company (AGC) (40 percent). AGC is a generating company and subsidiary of Allegheny and it is owned by AE Supply and Mon Power.

2. In addition, on June 14, 2006, in Docket No. ER06-1136-000 PJM filed revisions to Schedule 2 of its OATT to reallocate AE Supply's and Mon Power's reactive power revenue requirements associated with the Bath Facility from the Allegheny Power transmission zone to the Dominion transmission zone. As discussed below, we accept PJM's filing.

Background

3. On December 13, 2005, PJM submitted for filing in Docket No. ER06-319-000, pursuant to section 205 of the Federal Power Act (FPA),⁵ revisions to Schedule 2 of PJM's OATT to reflect the addition of AE Supply's and Mon Power's revenue requirements associated with the Bath Facility for the provision of cost-based Reactive Support and Voltage Control from Generation Service (Reactive Power) in the PJM region. Allegheny Power's revenue requirement for its share of the Bath Facility was accepted by the Commission in an Order issued November 16, 2005.⁶

4. On February 9, 2006, the Commission accepted and suspended PJM's December 13, 2005, filing subject to refund and conditions. The Commission accepted PJM's filing conditioned on PJM filing, within 30 days from the date of issuance of the order, detailed support of PJM's proposal to allocate AE Supply's and Mon Power's revenue requirement for reactive power from their share of the Bath Facility to the Allegheny Power transmission zone. This proposal in effect split the reactive power costs for the Bath Facility between the Dominion and the Allegheny Power zones. Allegheny Power requested rehearing of the February 9, 2006 Order. On March 13, 2006, PJM made a filing to comply with the February 9, 2006 Order.

5. On May 11, 2006 the Commission issued an order on rehearing and compliance filing. The order granted Allegheny Power's request for rehearing of the Commission's February 9, 2006 Order and rejected PJM's December 13, 2005 filing to revise Schedule 2 of its OATT to reflect the addition of AE Supply's and Mon Power's reactive power revenue requirements for their share of the Bath Facility. The order found that PJM's December 13, 2005 filing was inconsistent with Schedule 2 of its OATT. The order stated that PJM must allocate reactive power revenue requirements to generators "located in a zone," and PJM's OATT provides no allocation methodology for assigning costs to two zones, as PJM proposed. The May 11, 2006 Order also rejected PJM's March 13,

⁵ 16 U.S.C. § 824d (2000).

⁶ *Monongahela Power Company and Allegheny Energy Supply Company, LLC*, 113 FERC ¶ 61,172 (2005).

2006 filing to comply with the February 9, 2006 Order. The order found that, in its compliance filing, PJM reiterated its prior arguments, but did not provide any additional support for finding that its proposed allocation methodology was consistent with Schedule 2 of its OATT. Dominion filed a request for rehearing of the May 11, 2006 order on June 12, 2006. On June 26, 2006, Allegheny Power filed an answer to Dominion's request for rehearing.

Rehearing Request and Answer

6. On rehearing Dominion argues that the Commission should hold that the "location" of a generator, as the term is used in Schedule 2 of PJM's OATT in allocating the generator's reactive costs to a zone, should be determined based on the ownership of the grid transmission facilities to which the generator is directly interconnected, even if that results in allocations to multiple zones.⁷ Dominion insists that PJM and the Commission have acknowledged the significance of the grid facilities to which the plant is directly interconnected in both *Safe Harbor* and *Rock Springs*. Dominion contends that such allocation of reactive power cost is reasonable because the electrical interconnections of a plant to the grid are what enable the plant's reactive power output to be used to maintain grid reliability in those zones and the reactive power output of a plant may benefit customers in more than one zone.

7. On rehearing, Dominion insists that PJM's filing and the Commission's orders have left the issue of how to determine where a generator is "located" for purposes of reactive power cost allocation completely confused. Dominion asserts that the May 11, 2006 Order states that in *Safe Harbor*, the plant was interconnected to more than one zone and the Commission accepted PJM's allocation of the cost of the plant to the single zone in which the plant was located and the substation to which the plant was interconnected and modeled by PJM.⁸ Dominion argues that the Commission has misinterpreted the *Safe Harbor* decision.⁹

8. On rehearing, Dominion contends that *Safe Harbor* appears to reject a benefits test and accept an electrical interconnection test and/or a physical location test. Dominion contends that the *Safe Harbor* decision supports the allocation of a plant's reactive power

⁷ Citing *PJM Interconnection, L.L.C.*, 112 FERC ¶ 61,058 (2005) (*Rock Springs*) and *PJM Interconnection, L.L.C.*, 104 FERC ¶ 61,031 (2003) (*Safe Harbor*).

⁸ *PJM Interconnection, Inc.*, 115 FERC ¶ 61,166 at P 13.

⁹ Citing *PJM Interconnection, L.L.C.*, 104 FERC ¶ 61,031 at P 5.

costs to the zones to which it has a direct electrical interconnection, since the Safe harbor facility was directly connected only to the PPL transmission facilities (and physically located in the PPL zone). Dominion maintains that, in contrast to the circumstances in this case, Baltimore Gas and Electric Company owned a separate segment of the transmission line that was not even located in the same state in which the plant was located. Therefore, Dominion argues that *Safe Harbor* supports allocating the reactive power costs of the Bath Facility to both the Allegheny Power zone and the Dominion zone based on the electrical connection of the plant.

9. In its rehearing request, Dominion asserts that *Rock Springs* appears to reject a physical location test and accept an electrical interconnection test and/or a benefits test. Dominion states that in *Rock Springs* the generation facility was physically located in the Delmarva zone and electrically connected to the PECO zone. Dominion contends that the Commission rejected an argument that the reactive power costs should be allocated based on the physical location of the facility and stated, “The cost liability should lie with the customers that receive the reactive power and with whom Rock Springs has agreed, through the interconnection agreement to provide reactive power.”¹⁰ Dominion states that the Commission accepted the allocation of the costs to the PECO zone, stating that the generation facility is directly connected to that zone. Dominion contends the Commission did not explain its decision.

10. In its rehearing request, Dominion states that the May 11, 2006 Order appears to reject an electrical interconnection test but uses the term “located” inconsistently. Dominion states that the May 11, 2006 Order rejected PJM’s filing, which allocated the reactive power cost of Allegheny Power’s share of the reactive power cost of the Bath Facility to the Allegheny zone on the grounds that PJM’s OATT contains no methodology for assigning costs to two zones. However, Dominion states that it is undeniable that the Bath Facility is electrically connected to two zones, since the substation to which the plant is directly connected is jointly owned by Allegheny Power and Dominion and the transmission lines leading from that substation are jointly owned.¹¹ Thus, Dominion argues that the Commission apparently rejected the ownership of electrical interconnections as determining where a plant is located in instances in which the plant is directly interconnected with jointly owned transmission facilities. Dominion contends that the May 11, 2006 Order stated that in *Rock Springs* the plant was located in

¹⁰ Citing *PJM Interconnection, L.L.C.*, 112 FERC ¶ 61,058 at P 13.

¹¹ Dominion maintains this situation is different from that in *Safe Harbor* because the Safe Harbor Facility was interconnected to PPL’s transmission facilities, and PPL provided transmission service to BG&E to complete that connection.

the Delmarva zone, indicating the physical location; but in the same sentence the Commission stated that it accepted the allocation to the [PECO] zone, indicating that it interpreted location to mean the electrical location of the plant.¹²

11. On rehearing, Dominion submits that PJM and the Commission have mentioned modeling but have never asserted that modeling is determinative of a plant's location or given any weight to modeling. Dominion asserts that modeling should not be used to allocate reactive power.¹³ Dominion insists that the PJM model is defective because it fails to recognize jointly owned transmission facilities and if a plant and generator are jointly owned PJM places the plant in only one zone. Dominion complains that to determine that the Bath Facility is located in the Dominion zone simply because PJM's model currently lacks a variable to account for the joint ownership of the transmission lines that connect the plant to the grid is unjust and unreasonable because PJM can model plants in any zone, or zones, by simply modifying its software.

12. Dominion further states that Dominion owns 60 percent of the Bath Facility, is entitled to 60 percent of the output, and must pay 60 percent of the Bath Facility costs. Dominion also states that Allegheny Power owns, has rights to, and must pay for the remaining 40 percent of the plant. Dominion claims that both utilities own an undivided interest in the transmission lines that lead from the plant to the grid, the first substation on the grid to which the plant connects, and the transmission lines leading from that substation. Dominion adds that since 1996, Dominion and Allegheny Power each included the reactive power costs of its share of the plant in its own OATT and Allegheny Power's share of the output of the plant was dynamically scheduled out of the Dominion control area, where it is physically located, to the Allegheny control area. Dominion contends that after Dominion joined PJM in May 2005, PJM modeled the Bath Facility in the Dominion zone; however, PJM did not indicate that the modeling of the plant would determine how its reactive power costs would be allocated. Dominion argues that the Bath Facility could just as easily have been modeled in the Allegheny zone. Dominion argues that because the model outputs are completely subject to the input criteria chosen for inclusion by PJM, the conclusions are completely arbitrary and impermissibly subject to the vagaries of the model and the discretion of PJM. Therefore, Dominion states

¹² *Citing PJM Interconnection, Inc.*, 115 FERC ¶ 61,166 at P 13.

¹³ Dominion explains that modeling refers to the way in which PJM configured its software to reflect the interconnection of a unit to the grid. Dominion states PJM generally models a plant's location based on its electrical interconnection; however, if a plant and generator are jointly owned, PJM places the plant in one zone regardless of shared interconnections with two zones.

reliance on such models is arbitrary and capricious and does not constitute reasoned decision making.

13. On rehearing, Dominion opines that the Commission could resolve its concern that Schedule 2 of PJM's OATT does not specify how to allocate costs to two zones where the plant is electrically located in two zones by stating that in such circumstances PJM should interpret the term "located" based on each owner's share of the rights to the output of the plant. Dominion states the Commission could make the interpretation without requiring a modification of the OATT.

14. On rehearing Dominion argues that PJM's allocating the subject reactive power costs to the Dominion zone would be contrary to the cost-sharing contract between Dominion and Allegheny Power, and the allocation is unjust and unreasonable. Dominion states that the agreement between Dominion and Allegheny Power, in which they agreed to jointly construct, own and operate the Bath Facility provides for Allegheny Power to pay Dominion 40 percent of the plant's capital and operating costs. Dominion insists that if the Commission does not modify the May 11, 2006 Order to permit PJM to allocate Allegheny Power's share of the reactive power costs of the Bath Facility to the Allegheny zone, the Commission will cause Allegheny Power to violate its contract with Dominion because Allegheny will no longer be paying its share of the plant's costs. Dominion contends that for many years Allegheny Power was responsible for its own share of the plant's reactive power costs. Dominion adds that not modifying the order would result in inconsistent treatment of the Bath County facilities because Allegheny Power's share of the Bath County substation and the interconnected transmission lines would be located within the Allegheny Power zone for purposes of determining the zonal revenue requirement for transmission services but not for purposes of determining the allocation of the reactive power costs of the plant.

15. On rehearing, Dominion argues that, if the Commission does not specify (or determines that it cannot specify) that where a generator is located must be determined based on ownership of the grid transmission facilities to which a generator is directly interconnected, it should require PJM to initiate a stakeholder process leading to a modification of Schedule 2 of its OATT to state with specificity how to determine where a generator is located. Dominion complains that Schedule 2 of PJM's OATT gives PJM too much discretion in determining where a generator is located for allocating reactive power costs, and this discretion has led to unnecessary controversy and expenditure of significant resources by the parties and the Commission. Dominion contends that PJM's OATT is impermissibly vague. Dominion argues that PJM has acknowledged that its OATT is not sufficiently clear about how reactive power costs should be allocated,¹⁴ and

¹⁴ Citing *PJM Interconnection, L.L.C.*, 112 FERC ¶ 61,058 at P 12.

the Commission noted in the May 11, 2006 Order that PJM's OATT does not specify how to determine where a plant is located.

16. In its answer, Allegheny Power argues that Dominion's request for rehearing rest upon material factual misstatements. Allegheny Power states chief among Dominion's misstatements is the fact that Allegheny Power does not directly own any transmission facilities associated with the Bath Facility as Dominion alleges. Allegheny Power also states Dominion has mistakenly implied that there is a contractual obligation to pay for reactive power associated with the Bath Facility. Allegheny Power asserts that it has no contract with Dominion to share in the cost of the Bath Facility, AGC does. Allegheny Power submits that Dominion does not actually claim that the operation and maintenance costs covered by the AGC contract include reactive power costs and the AGC contract says nothing about paying for reactive power costs. Finally, Allegheny argues that Dominion has failed to support its claim that the Bath Facility provides reactive support to loads in the Allegheny Power Zone. Accordingly, Allegheny Power argues that the Commission should deny Dominion's request for rehearing.

17. Allegheny Power states that prior to joining PJM, the rate recovery of Allegheny Power's reactive power costs were governed by a black box settlement agreement that did not identify the basis for those charges. Allegheny Power maintains that after it joined PJM in 2002, Allegheny Power excluded its share of the Bath Facility when it filed to recover reactive power costs for generation located in the Allegheny Power zone from PJM because the plant is physically located the Dominion service area. Allegheny Power contends this practice supports allocating AGC's share of the reactive power output of the Bath Facility exclusively to the Dominion zone. Finally, Allegheny power asserts Allegheny Power dynamically scheduled real not reactive power from the Bath Facility into its control area.

Discussion

Procedural Matters

18. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2006), prohibits an answer to a rehearing unless otherwise ordered by the decisional authority. However, the Commission will accept Allegheny Power's answer filed herein because it has provided information that assisted us in our decision making process.

Analysis

19. We will reject Dominions request for rehearing. Schedule 2 of PJM's OATT states in part, "Zonal Generation Owner Monthly Revenue Requirement is the sum of the

monthly revenue requirements for each generator located in a Zone as such revenue requirements have been accepted or approved, upon application, by the Commission.” Based on this provision, we affirm the finding in the May 11, 2006 Order that PJM’s OATT provides no allocation methodology for assigning a generator’s reactive power costs to two zones. This is the basis for the Commission’s rejection of PJM’s proposal to allocate Allegheny Power’s revenue requirement for reactive power from the Bath Facility to the Allegheny transmission zone in the May 11, 2006 Order, not a confused interpretation of the term “location” as suggested by Dominion.

20. This determination is consistent with the findings in both *Safe Harbor* and *Rock Springs* since in both cases PJM allocated the plant’s reactive power costs to one zone. Dominion is correct that the May 11, 2006 Order erroneously states that, “in *Safe Harbor*, the plant was interconnected to more than one zone.” This was a misstatement rather than a misinterpretation. The fact still remains that the Commission accepted PJM’s allocation of *Safe Harbor*’s cost of the plant to the single zone in which the plant was located and the substation to which *Safe Harbor*’s generating facility is directly connected in PJM’s model. Unlike this case, in both cases, PJM determined the single zone served by the plant’s electrical connections and allocated the cost to that zone. We do not find the fact that PJM considered factors other than simply physical location in determining the correct zone provides authority for PJM to ignore its OATT, and propose to allocate costs to two zones.

21. We disagree with Dominion that the Commission should resolve this issue by stating that where the plant is electrically located in two zones PJM should interpret the term located based on each owner’s share of the rights to the output of the plant. This interpretation would require a modification of PJM’s OATT, since PJM’s OATT does not provide an allocation methodology for assigning a generator’s reactive power costs to two zones. The current provision in Schedule 2 of PJM’s OATT was established by a PJM Stakeholder process and approved by the Commission.¹⁵ We presume that PJM and its stakeholders decided to adopt a simple zonal test for allocating reactive power since the effect of reactive power is limited in area, rather than attempting to measure the extent of the benefits of reactive power, which could prove to be even more litigious. The fact that both Dominion and Allegheny Power (or its affiliate) own a portion of the facility or are entitled to electrical output from the plant does not determine the allocation of the reactive power costs under the OATT. Certainly, PJM may file to revise its tariff to adopt a more complicated benefit or other test for allocating reactive power. But until it does so, it must apply its existing tariff. Accordingly, the Commission will not hold

¹⁵ *PJM Interconnection, L.L.C.*, Docket No. ER00-3327-000 (September 25, 2000) (unpublished letter order).

that the “location” of a generator, as the term is used in Schedule 2 of PJM’s OATT in allocating the generator’s reactive costs to a zone, should be based on the ownership of the grid transmission facilities to which the generator is directly interconnected.¹⁶

22. Dominion’s argument that allocation of the reactive power costs of Allegheny Power’s share of the Bath facility would be inconsistent with the allocation of costs in the parties’ contract is unavailing. Dominion failed to make the contract a part of the record in this proceeding, and has not cited to any provisions of the contract that govern the allocation of reactive power costs between the parties. Allegheny Power states the contract is with AGC, not Allegheny Power, and that the AGC contract with Dominion says nothing about paying or allocating reactive power costs. Thus, based on the record before us, we can find no contractual obligation among the parties to share reactive power costs.

23. Dominion’s argument that allocation of the reactive power cost of Allegheny Power’s share of the Bath facility would be inconsistent with years of operation prior to Dominion joining PJM is unpersuasive. PJM’s allocation of costs must follow its OATT. The parties could, of course, agree to reallocate such costs between them. Dominion, however, has failed to show that the parties through contracts, as supplemented by an ongoing course of doing business, reached an agreement to reallocate reactive power costs among themselves. In fact, Allegheny Power states that prior to joining PJM, the rate recovery of Allegheny Power’s reactive power costs were governed by a black-box settlement agreement that did not identify the basis for those charges. Allegheny Power maintains that after it joined PJM in 2002, Allegheny Power excluded its share of the Bath Facility when it filed to recover reactive power costs for generation located in the Allegheny Power zone from PJM because the plant is physically located in the Dominion service area. Thus, Dominion has failed to show a contract agreement between the parties that would reallocate the reactive power costs, as determined by the PJM OATT.

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24. On June 14, 2006, in Docket No. ER06-1136-000, PJM submitted proposed revisions to its Schedule 2 to reflect the reallocation of AE Supply and Mon Power’s reactive power revenue requirements associated with the Bath Facility to the Dominion transmission zone. PJM states that this allocation is consistent with the May 11, 2006 order’s interpretation of the term “location” in Schedule 2 of the PJM OATT. PJM states that the Bath Facility is physically located in the Dominion zone and also is included in

¹⁶ *Safe Harbor* rejected an electrical interconnection test, since an electrical location test was argued by PPL and rejected by the Commission.

that zone in the network model that PJM uses to monitor the transmission system and to conduct price settlements. The Bath Facility revenue requirements were accepted by the Commission in Docket No. ER05-1270-000, effective November 1, 2005.

25. The availability of reactive power allows PJM to maintain transmission voltages on its system within acceptable limits. Schedule 2 of PJM's OATT requires an entity seeking to provide reactive power to obtain Commission acceptance of its rate schedule setting forth its revenue requirements as a condition to PJM's obligation to reflect those revenue requirements under Schedule 2.

Notice and Comments

26. Notice of PJM's June 14, 2006 filing was published in the *Federal Register*, 71 Fed. Reg. 37,063 (2006), with comments due on or before July 5, 2006. Allegheny Power filed motion to intervene out of time on July 6, 2006. Dominion filed a motion to intervene and protest on July 5, 2006. Allegheny Power filed an answer to Dominion's protest on July 18, 2006. The protest and answer are discussed below.

Discussion

Procedural Matters

27. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2006), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

28. The Commission finds that granting all late-filed motions to intervene up to the date of issuance of this order will not delay, disrupt, or otherwise prejudice this proceeding, or place an additional burden on existing parties. Therefore, for good cause shown, pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2006), we will grant the late-filed motions to intervene.

29. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2006), prohibits an answer to a protest unless otherwise ordered by the decisional authority. However, the Commission will accept Allegheny Power's answer filed herein because it has provided information that assisted us in our decision making process.

Parties' Positions

30. In its protest to PJM's June 14, 2006 tariff filing, Dominion again argues that the Commission should hold that the "location" of a generator, as the term is used in Schedule 2 of PJM's OATT in allocating the generator's reactive costs to a zone, should

be determined based on the ownership of the grid transmission facilities to which the generator is directly interconnected, even if that results in allocations to multiple zones. Dominion contends that this allocation is consistent with Commission precedent and with the PJM OATT. Dominion states the Commission could make the holding without requiring a modification of the OATT. Dominion again claims that *Safe Harbor* supports its proposed allocation and that in the May 11, 2006 Order the Commission has misinterpreted the *Safe Harbor* decision since the plant was interconnected to only one zone. Dominion again asserts that *Rock Springs* appears to reject a physical location test and accept an electrical interconnection test and/or a benefits test.

31. Dominion again argues that PJM's allocation of reactive power costs is contrary to the cost-sharing contract between Dominion and Allegheny Power, and, if the Commission does not permit PJM to allocate Allegheny Power's share of the reactive power costs of the Bath Facility to the Allegheny zone, the Commission will cause Allegheny Power to violate its contract with Dominion. In the protest, Dominion adds the fact that Allegheny Power pays Dominion its share of the plant's cost and recovers those costs from Dominion customers due to PJM's allocation of the reactive power costs does not mean that PJM's allocation is consistent with the contract. Dominion asserts that the fact that changes have occurred since the contract was executed does not justify allocating Allegheny's share of the Bath Facilities reactive power cost to the Dominion zone.¹⁷ Dominion submits that the appropriate way to apply the contract is to place the parties, as closely as possible, in the circumstances that the parties contemplated when they executed the contract by applying Allegheny Power's share to the Bath Facilities reactive power costs to the Allegheny Power zone.

32. Dominion again asserts that modeling should not be used to allocate reactive power. Dominion insists that the PJM model is defective because it fails to recognize jointly owned transmission facilities and if a plant and generator are jointly owned PJM places the plant in only one zone. Dominion reiterates that to determine that the Bath Facility is located in the Dominion zone simply because PJM's model currently lacks a variable to account for the joint ownership of the transmission lines that connect the plant to the grid is unjust and unreasonable because PJM can model plants in any zone, or zones, by simply modifying its software. Dominion argues that because the model outputs are completely subject to the input criteria chosen for inclusion by PJM reliance on such models is arbitrary and capricious and does not constitute reasoned decision making.

¹⁷ Dominion says that since that time the Commission required the unbundling of reactive power costs, both parties joined PJM, and PJM developed a methodology for allocating reactive power costs among transmission owners.

33. In its protest Dominion states that PJM's Schedule 2 does not state that where a plant is located is based on modeling. Dominion adds that allocation based on modeling can produce arbitrary results that are not consistent with the actual flow of real and reactive power. Dominion contends that in the electric industry "located" can refer to an electric location as well as the standard meaning, physical location. Dominion adds that nothing in the plain meaning of the term or in industry usage indicates that located refers to where a generating plant is modeled. Dominion argues that modeling allocates the cost of AES' and Mon Power's ownership share of the Bath Facility to loads that do not benefit from the reactive power capability and output of that portion of the plant. Dominion concludes that PJM's method for allocating reactive power costs should be comparable to its method of allocating 40 percent of capacity, energy, and transmission to Allegheny Power.

34. Dominion again argues that, if the Commission does not specify that where a generator is located must be determined based on ownership of the grid transmission facilities to which a generator is directly interconnected, it should require PJM to initiate a stakeholder process leading to a modification of Schedule 2 of its OATT to state with specificity how to determine where a generator is located. Dominion again complains that Schedule 2 of PJM's OATT gives PJM too much discretion in determining where a generator is located. In its protest, Dominion adds that PJM has reported that it would not object to such a process. Dominion also submits this process will ensure that all viewpoints are considered and that the Commission will be able to review the justness and reasonableness of PJM's decision based on all of the relevant facts and arguments.

35. In its answer to Dominion's protest, Allegheny Power argues that Dominion's protest is barred by the doctrine of *res judicata* because it raises issues that it previously raised, or could have raised, in the prior proceeding, which involved all of the same parties and were decided by the Commission. Specifically, Allegheny Power argues that Dominion asserts that PJM should allocate the reactive power revenue costs of the Bath Facility to multiple zones based on the transmission facilities directly connected to the plant, but the Commission's May 11, 2006 final order decided the merits of this issue.

36. In case the Commission does not bar Dominion's protest, Allegheny Power makes additional arguments. Allegheny Power contends that PJM's allocation does not rest upon modeling as Dominion asserts. Allegheny Power claims that the location of the plant in the State Estimator reflects PJM's determination of the physical location of the plant. Allegheny Power states that Schedule 2 of PJM's OATT dictates the allocation of reactive power cost to the zone where the plant is physically located. Allegheny Power also submits that PJM's OATT does not contemplate a benefits analysis, and even if it did, the reactive power benefits of the Bath Facility reside exclusively in the Dominion

Zone.¹⁸ Allegheny Power also states that Dominion's multi-zone allocation theory would produce endless disputes about who benefits from the reactive power output of a facility. Regarding Dominion's contract arguments, Allegheny Power submits that Dominion cites no contract provision to support its proposition that the contract should be read to require the subject reactive power costs be allocated to Allegheny Power. Allegheny Power states that it is not allocating the reactive power costs, but PJM is by applying its OATT. Moreover, Allegheny Power contends that this is not the proper forum for Dominion's contract arguments.

37. Allegheny Power opines that Dominion misinterprets *Safe Harbor and Rock Springs*. Allegheny power states the cases support an allocation of reactive power costs to the zone where the generator is located or to a nearby adjacent zone to which the plant is directly interconnected and there is a contract to deliver the reactive output. Allegheny Power asserts that Dominion does not support its claim that where facilities are located is not clear under PJM's OATT because the claim is based on PJM's statement in its filing letter which is inconsistent with PJM's statements in *Safe Harbor*. Further, Allegheny Power disputes that PJM's OATT gives PJM too much discretion. Allegheny Power asserts that PJM's stakeholders supported the approach that reactive power costs must be allocated to the zone where the plant is physically located and rejected a benefits test approach. Allegheny Power submits that the Commission should not order PJM to convene a new stakeholder process to reconsider their support for the current method just because Dominion does not like the result in this case. Finally, Allegheny Power contends that Dominion advocates attributing the ownership of AGC-owned facilities to Allegheny Power, but the Commission rejected PJM's proposal to rely on this affiliate-ownership allocation theory in the May 11, 2006 Order.

Analysis

38. We will accept PJM's June 14, 2006 tariff filing in Docket No. ER06-1136-000. The Commission finds that PJM's tariff filing to allocate all of the reactive power costs of the Bath Facility to the Dominion zone is consistent with Schedule 2 of PJM's OATT and is just and reasonable under section 205 of the FPA. It is appropriate for PJM to allocate reactive power cost to the zone where the Bath Facility is physically located and modeled, the Dominion zone. This allocation is consistent with the May 11, 2006 Order since it allocates the reactive power costs of the Bath Facility to one zone. The allocation is also consistent with *Safe Harbor* and *Rock Springs*, discussed in the

¹⁸ Citing Allegheny Powers comments in Docket No. ER06-31-000, filed April 5, 2006.

rehearing portion of this order, since those cases allocate reactive power costs to the single zone served by the plant's electrical connections.

39. Dominion's protest is not barred by the doctrine of *res judicata*. Dominion preserved the issues in its rehearing request of the May 11, 2006 Order. Furthermore, ER06-1136-000 is a new tariff filing with a new allocation of reactive power costs and section 385.211 of the Commission's regulations permits Dominion to file a protest.¹⁹

40. In the May 11, 2006 Order, the Commission rejected PJM's allocation of reactive power costs since it allocated costs to more than one zone. The Commission did not direct PJM to allocate the costs in a specific fashion. However, we find here that PJM's proposed allocation is consistent with Schedule 2 of the PJM OATT.

41. In its protest, Dominion repeats the arguments regarding PJM's OATT, Commission precedent, Dominion's contract with AGC, and modeling that it made in its request for rehearing of the May 11, 2006 Order. We reject those arguments for the reasons set forth in the rehearing portion of this Order. Dominion adds nothing to those arguments in its protest to convince the Commission to reject PJM's tariff filing. Dominion's contract with AGC is still not before the Commission. Dominion did not file a copy of the contract with its protest or cite any provision in the contract regarding allocation of reactive power costs. Additionally, PJM's allocation of the subject reactive power costs does not rest upon modeling as Dominion asserts. PJM's allocation is based on Schedule 2 of PJM's OATT and the physical location of the Bath Facility.

42. Finally, Dominion's proposed allocation to allocate the costs to more than one zone is not consistent with Schedule 2 of PJM's OATT, as discussed in the rehearing portion of this order. As stated above, PJM is free to establish a stakeholder process and file to revise its tariff with the Commission if it wishes to do so.

Waivers

43. PJM requests a waiver of the Commission's 60-day prior notice requirements to permit its filing to become effective on November 1, 2005, consistent with the effective date of AE Supply's and Mon Power's reactive revenue requirements accepted by the Commission in Docket No. ER05-1270-000.²⁰ The Commission finds that good cause exists to grant the requested waiver.

¹⁹ 18 CF.R. § 385.211 (2006).

²⁰ *Monongahela Power Company and Allegheny Energy Supply Company, LLC*, 113 FERC ¶ 61,172 (2005).

44. PJM also request waiver of the posting requirements, so as to permit electronic service rather than paper service. PJM contends that waiver of paper service is consistent with the Commission's decision to establish electronic service as the default method of service on service lists maintained by the Commission Secretary. PJM stated that it posted this filing to the FERC section of its internet site, and sent e-mail notification to all PJM members and all state utility regulatory commissions in the PJM Region. The Commission grants the requested waiver, subject to PJM providing paper copies consistent with the Commission's regulations to anyone who requests a paper copy.

The Commission orders:

(A) Dominion's request for rehearing is denied, as discussed in the body of this order.

(B) PJM's June 14, 2006 filing in Docket No, ER06-1136-000 is accepted, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.