

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, LLC

Docket No. ER06-133-000

ORDER APPROVING UNCONTESTED SETTLEMENT

(Issued November 3, 2006)

1. On June 22, 2006, Commonwealth Edison Company (ComEd) and the City of Geneva, Illinois (Geneva) (collectively, Settling Parties) filed a settlement agreement resolving all issues in the above-captioned proceeding relating to a Network Integration Transmission Service Agreement (NITSA) between PJM and Geneva and a revised Interconnection Service Agreement (ISA) among PJM, ComEd and Geneva. These Agreements provided alternative mechanisms for recovery of costs associated with Geneva's use of ComEd's distribution facilities. PJM filed the unexecuted NITSA and amended ISA with the Commission, on November 1, 2005.
2. On November 22, 2005, Geneva filed an intervention and protest to PJM's filing. Geneva did not dispute the transmission-related charges that PJM would recover and pay to ComEd under the terms of the PJM Open Access Transmission Tariff (OATT). Rather, Geneva's concerns related to the amount of recovery associated with its use of ComEd's distribution system to serve its municipal customers and export the output from Geneva's generation facilities into the PJM transmission grid. The Commission accepted and suspended the NITSA and revised ISA on December 30, 2005, and established hearing and settlement judge procedures.¹
3. The settlement modifies the NITSA and revised ISA to provide that annual charges for wholesale distribution service will be assessed as "Other Supporting Facilities Charges" under the NITSA and will replace both the Direct Assignment Facilities

¹*PJM Interconnection, L.L.C.*, 113 FERC ¶ 61,339 (2005).

Charges in the NITSA and the Geneva Wholesale Distribution Charges in the revised ISA. On June 30, 2006, Commission Trial Staff filed comments in support of the settlement. No other comments were filed. On July 11, 2006, the settlement was certified to the Commission as uncontested.²

4. The settlement is fair and reasonable and in the public interest and is hereby approved. The Commission's approval of this settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding. The applicable standard of review for any changes to the Settlement Agreement, as stated in Article IV, section 3 of the Settlement Agreement, whether proposed by a Party, a non-Party, or the Commission, acting *sua sponte*, is the *Mobile-Sierra* public interest standard.³

5. The settlement establishes a refund effective date of January 1, 2006 for pertinent refunds. Pursuant to the settlement, ComEd shall refund, together with interest computed under section 35.19a of the Commission's regulations, 18 C.F.R. § 35.19a (2006), any amounts collected in excess of the settlement rates. PJM will make the necessary billing adjustments to effectuate the refunds for the difference between amounts paid by Geneva under the NITSA and the revised ISA and the amounts that would have been paid had the Other Supporting Facilities Charges been in effect. The Settlement Agreement states: "The Settling Parties intend that no later than the second PJM billing cycle after this Settlement Agreement becomes effective, PJM will make the necessary billing adjustments to effectuate the refunds . . ."

6. Within 15 days after making such refunds, ComEd shall file with the Commission a compliance refund report showing monthly billing determinants, revenue receipt dates, revenues under the present and settlement rates, the monthly revenue refund, and the monthly interest computed, together with a summary of such information for the total refund period. ComEd shall furnish copies of the report to the affected customers and to each state commission within whose jurisdiction the affected wholesale customers distribute and sell electric energy at retail. Necessary revisions to PJM's service agreements to reflect the terms of the Settlement Agreement shall be filed no later than 30 days after the effective date of this order.

² *PJM Interconnection, L.L.C.*, 116 FERC ¶ 63,003 (2006).

³ See *United Gas Pipe Line Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332 (1956); *FPC v. Sierra Pac. Power Co.*, 350 U.S. 348 (1956). As a general matter, parties may bind the Commission to a public interest standard. *Northeast Utils. Serv. Co. v. FERC*, 993 F.2d 937, 960-62 (1st Cir. 1993). Under limited circumstances, such as when the agreement has broad applicability, the Commission has the discretion to decline to be so bound. *Maine Pub. Utils. Comm'n v. FERC*, 454 F.3d 278, 286-87 (D.C. Cir. 2006). In this case, we find that the public interest standard should apply.

7. This order terminates Docket No. ER06-133-000. New subdockets will be assigned to Docket No. ER06-133 upon receipt of the refund report and the revised service agreements.

By the Commission. Commissioner Kelly dissenting in part with a separate statement attached.

Commissioner Wellinghoff dissenting in part with a separate statement attached.

(S E A L)

Magalie R. Salas,
Secretary.

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KELLY, Commissioner, *dissenting in part*:

The parties to this settlement agreement request that the Commission apply the *Mobile-Sierra* “public interest” standard of review to any future modifications proposed by a party, a non-party, or the Commission acting *sua sponte*. In the absence of an affirmative showing by the contracting parties and reasoned analysis by the Commission regarding the appropriateness of approving the “public interest” standard with respect to future changes to this settlement sought by a non-party or by the Commission acting *sua sponte*, I do not believe the Commission should approve this contract provision.

Under the Federal Power Act and the Natural Gas Act, rates, terms and conditions of service must be “just and reasonable” and not unduly discriminatory or preferential. Parties to a contract or agreement may waive their statutory rights to the “just and reasonable” standard and request that the Commission instead apply the higher “public interest” standard under the *Mobile-Sierra* doctrine,¹ with respect to future changes sought by the one of the parties after the contract or agreement has been approved by the Commission.

In some cases, contracting parties request that the Commission apply the “public interest” standard to review of any future changes sought by the Commission acting *sua sponte* or on behalf of a non-party.² Courts have found that the Commission

¹ This doctrine is named after the Supreme Court’s rulings in *United Gas Pipe Line Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332 (1956) (*Mobile*) and *FPC v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956) (*Sierra*).

² Until fairly recently, the Commission did not approve agreements whereby the parties sought to bind the Commission to a “public interest” standard of review with respect to the Commission acting *sua sponte* or at the request of non-parties to change rates, terms and conditions in order to protect non-parties. *See, e.g., ITC Holdings Corp.*, 102 FERC ¶ 61,182 at P 77, *reh’g denied*, 104 FERC ¶ 61,033 (2003); *Westar Generating, Inc.*, 100 FERC ¶ 61,255 at 61,917 (2002); *Niagara Mohawk Power Corporation*, 97 FERC ¶ 61,018 at 61,060 (2001); *Turlock Irrigation District*, 88 FERC ¶ 61,322 at 61,978 (1999); *Montana Power Company*, 88 FERC ¶ 61,019 at

has the authority not to accept such a request.³ In making such a request, I believe the contracting parties must affirmatively demonstrate why their request to require the Commission to apply the higher “public interest” standard with respect to future changes sought by the Commission acting *sua sponte* or on behalf of non-parties is consistent with the Commission’s fulfillment of its statutory responsibilities under FPA sections 205 and 206. In conducting its initial review of agreements where the parties seek to hold the Commission and non-parties to the higher “public interest” standard, the Commission should consider whether the higher “public interest” standard of review is appropriate within the context of the particular contract or agreement. Under certain circumstances, I believe it may be appropriate for the Commission to approve such provisions, as stated in my concurring statement in *Entergy*;⁴ however, the appropriateness of such a provision has not been demonstrated under the facts of this case.

In addition, this order concludes, without a reasoned analysis that the “public interest” standard should apply in this case. Although the order recognizes that the Commission has discretion to decline to be “bound” by the “public interest” standard,⁵ it implies that the case law regarding the applicability of the *Mobile-Sierra* “public interest” standard is clear. In fact, it is not. Courts have recognized that “cases even within the D.C. Circuit . . . do not form a completely consistent pattern.”⁶ Furthermore, I do not agree with the footnote’s characterization of the recent *Maine PUC v. FERC* case, as restricting the Commission’s discretion regarding the application of the “public interest” standard only “under limited circumstances.”

61,051 (1999); and *Carolina Power & Light Co.*, 67 FERC ¶ 61,074 at 61,205 (1994).

³ See, e.g., *Maine PUC v. FERC*, 454 F.3d 278 (D.C. Cir. 2006).

⁴ See *Entergy Services, Inc.*, 117 FERC ¶ 61,055 (2006).

⁵ This approach marks a departure from the proposal in the Notice of Proposed Rulemaking on the *Standard of Review for Modifications to Jurisdictional Agreements*, Notice of Proposed Rulemaking, 113 FERC ¶ 61,317 (2005), which would have required the Commission to review modifications to all jurisdictional agreements (except specified electric transmission service agreements and natural gas transportation agreements) under the “public interest” standard, unless the contracting parties used prescribed language specifying that they intend to permit the Commission to apply the “just and reasonable” standard to a previously-executed agreement.

⁶ See *Boston Edison Co. v. FERC*, 233 F.3d 60, 67-68 (1st Cir. 2000).

Accordingly, I dissent in part from this order's approval of this settlement.

Sudeen G. Kelly

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WELLINGHOFF, Commissioner, dissenting in part:

The parties in this case have asked the Commission to apply the “public interest” standard of review when it considers future changes to the instant settlement that may be sought by any of the parties, a non-party, or the Commission acting *sua sponte*.

Because the facts of this case do not satisfy the standards that I identified in *Entergy Services, Inc.*,¹ I believe that it is inappropriate for the Commission to grant the parties’ request and agree to apply the “public interest” standard to future changes to the settlement sought by a non-party or the Commission acting *sua sponte*. In addition, for the reasons that I identified in *Southwestern Public Service Co.*,² I disagree with the Commission’s characterization in this order of case law on the applicability of the “public interest” standard.

For these reasons, I respectfully dissent in part.

Jon Wellinghoff
Commissioner

¹ 117 FERC ¶ 61,055 (2006).

² 117 FERC ¶ 61,149 (2006).