

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 No. ER06-1550-000

PJM Interconnection, L.L.C.

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

ORDER ACCEPTING UNCONTESTED SETTLEMENT AGREEMENT AND
REVISED TARIFF SHEETS FOR FILING, SUBJECT TO CONDITIONS

(Issued November 28, 2006)

1. On December 13, 2005 and June 14, 2006, PJM Interconnection, L.L.C. (PJM) filed in Docket Nos. ER06-319-000 and ER06-1136-000, respectively, revisions to Schedule 2 of PJM's tariff to reflect the addition of Allegheny Energy Supply Company, LLC (Allegheny Energy) and Monongahela Power Company's (Monongahela Power) revenue requirements associated with their ownership share of the Bath County generation facility for the provisions of cost based Reactive Support and Voltage Control from Generation Sources Services (Reactive Power). On October 18, 2006, Virginia Electric and Power Company (Dominion) submitted a Settlement Agreement (Settlement) among Dominion, Allegheny Power on behalf of its operating companies including Monongahela Power¹, Allegheny Energy and PJM (collectively, the Settling Parties), resolving all issues in the Docket Nos. ER06-319-000 and ER06-1136-000. The resolved issues include issues concerning the September 29, 2006 filing by PJM to allocate the Dominion revenue requirement for Reactive Supply and Voltage Control

¹ Allegheny Power is the trade name for Monongahela Power Company, the Potomac Edison Company, and West Penn Power Company.

from Generation Sources Service (Reactive Power) to the Dominion zone in Docket No. ER06-1550-000.²

2. On September 29, 2006, in Docket No. ER06-1550-000, PJM submitted a filing revised tariff sheets allocating the Dominion revenue requirement for Reactive Power. For the reasons discussed below, we will accept PJM's proposed tariff revisions for filing, subject to conditions, as discussed in the body of this order, effective September 1, 2006.

Settlement Agreement

3. The Settlement provides for the allocation of all the Bath County Reactive Power revenue requirement of Allegheny Energy and Monongahela Power to the APS zone and provides for the allocation of all the Reactive Power revenue requirement of Dominion units to the Dominion zone, including Mt. Storm and North Branch, effective September 1, 2006.³ The Settlement also permits any of the Settling Parties to protest PJM's September 29, 2006 allocation of the Reactive Power revenue requirement to the Dominion zone, provided that any protesting Settling Party must withdraw its protest if the Commission accepts the Settlement.

4. Under the Settlement, PJM will file within thirty days after the acceptance of the Settlement revised Schedule 2 Tariff sheets reflecting the Monongahela Power and Allegheny Energy revenue requirement allocations as provided in the Settlement, effective September 1, 2006. PJM also will file to adjust Dominion's revenue requirement reflected in Schedule 2 of its Tariff to \$27.5 million figure, as agreed to in the Settlement upon issuance of an order accepting the settlement filed in Docket No. ER06-554-000. PJM shall make the necessary billing adjustments, including any refunds plus interest, calculated in accordance with 18 C.F.R. § 35.19a. The Settling Parties agree not to oppose the PJM filings insofar as those filings are consistent with this Settlement.

Notices and Interventions, Protests and Answer

5. No party filed to contest the Settlement.

² Dominion's revenue requirement was filed before the Commission in Docket No. ER06-554-000. A Settlement was filed August 11, 2006 and was certified to the Commission on September 6, 2006 and is currently pending.

³ Dominion has a 60 percent ownership in the Bath County facility. Revenue for Reactive Power for Dominion's 60 percent ownership in the Bath County facility has not been filed with the Commission.

6. Notice of PJM's filing in Docket No. ER06-1550-000 was published in the *Federal Register*, 71 Fed. Reg. 59,768, with protests or interventions due on or before October 20, 2006. Dominion filed a protest to the PJM filing to the extent that the Commission does not approve the settlement in Docket Nos. ER06-319-000, and ER06-1136-000.

7. Dominion argues that PJM's allocation of Dominion's entire Reactive Power revenue requirement to the Dominion Zone is inconsistent with Schedule 2 of the PJM Tariff and the Commission's recent orders in Docket No. ER06-319-000⁴ because not all of Dominion's generating units are located in the Dominion zone. The Commission order in Docket No. ER06-319-000 clarifies that Reactive Power revenue requirement allocations under Schedule 2 of the PJM Tariff should be made to the zone in which a plant is located and in relation to the substation to which the generating facility is connected.⁵ Dominion notes that in this instant filing there is evidence that its Mt. Storm generating station and the North Branch unit are located in the Allegheny Power zone (APS Zone). Therefore, Dominion argues that the Commission should reject PJM's proposal to allocate the Reactive Power revenue requirement for those facilities to the Dominion zone and should instead direct PJM to allocate those generating units' costs to the APS zone. However, Dominion notes that, consistent with the Settlement, it will withdraw this protest upon the Commission acceptance of the Settlement.

Discussion

Procedural Matters

8. Pursuant to rule 214, 18 C.F.R § 385.214, all timely filed motions to intervene and any motions to intervene out-of-time filed in Docket No. ER06-1550-000 before the issuance date of this order is granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties.

Commission Review

9. The Commission finds that the Settlement is in the public interest and is hereby approved. The Commission's approval of the Settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding. The Commission retains the right to investigate the rates, terms and conditions under the just and

⁴ See *PJM Interconnection, L.L.C.*, 115 FERC ¶ 61,166 (2006)(May 11 Order) and 116 FERC ¶ 61,140 (2006)(August 11 Order).

⁵ See the August 11 Order at P 20.

reasonable and not unduly discriminatory or preferential standard of section 206 of the Federal Power Act.⁶

10. PJM's filing in Docket No. ER06-1550-000 does not reflect the reactive power costs to which the parties agreed in the Settlement. The Commission, therefore, accepts PJM filing in Docket No. ER06-1550-000, subject to PJM filing within 30 days of the date of this order to modify the reactive power costs as provided in the Settlement agreement. This condition resolves Dominion's protest.

The Commission orders:

(A) The Uncontested Settlement Agreement is accepted, effective September 1, 2006.

(B) PJM Schedule 2 Tariff revisions in Docket No. ER06-1550-000 are accepted to become effective September 1, 2006, subject to PJM filing within 30 days of the date of this order to reflect the conditions of the Uncontested Settlement Agreement, as discussed in the body of the order.

(C) Acceptance of the Uncontested Settlement Agreement terminates proceedings in Docket Nos. ER06-1136-000 and ER06-319-000.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

⁶ 16 U.S.C. § 824e (2000).