

166 FERC ¶ 61,074
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;
Cheryl A. LaFleur, Richard Glick,
and Bernard L. McNamee.

Duquesne Light Company

Docket No. ER19-303-000

ORDER ON TRANSMISSION RATE INCENTIVES

(Issued January 30, 2019)

1. On November 7, 2018, Duquesne Light Company (Duquesne), submitted a filing (Filing) pursuant to section 205 of the Federal Power Act (FPA),¹ Part 35 of the Commission's regulations,² and Order No. 679,³ seeking certain incentive rate treatments for its investments in transmission upgrades (Beaver Valley Deactivation Transmission Project or Project). Specifically, Duquesne seeks authorization to: (1) include 100 percent of construction work in progress (CWIP) for the Project in Duquesne's rate base under its formula rate during the development and construction phase of the Project (CWIP Incentive); and (2) recover 100 percent of prudently-incurred costs of the Project if the Project is abandoned or cancelled, in whole or in part, for reasons beyond its control (Abandonment Incentive). Duquesne also requests preauthorization to recover 50 percent of prudently-incurred project costs incurred prior to a Commission order granting the Abandonment Incentive. In this order, we grant Duquesne's request, subject to a compliance filing, as discussed below.

I. Background

2. In the Energy Policy Act of 2005, Congress added FPA section 219, directing the Commission to establish, by rule, incentive-based rate treatments to promote capital

¹ 16 U.S.C. § 824d (2012).

² 18 C.F.R. pt. 35 (2018).

³ *Promoting Transmission Investment through Pricing Reform*, Order No. 679, FERC Stats. & Regs. ¶ 31,222 (Order No. 679), *order on reh'g*, Order No. 679-A, FERC Stats. & Regs. ¶ 31,236 (2006), *order on reh'g*, 119 FERC ¶ 61,062 (2007).

investment in electric transmission infrastructure.⁴ The Commission subsequently issued Order No. 679, establishing the processes by which a public utility may seek transmission rate incentives pursuant to FPA section 219.⁵ Additionally, in November 2012, the Commission issued a Policy Statement providing additional guidance regarding its evaluation of applications for transmission rate incentives under FPA section 219 and Order No. 679.⁶

3. Order No. 679 requires an applicant to show that “the facilities for which it seeks incentives either ensure reliability or reduce the cost of delivered power by reducing transmission congestion.”⁷ Order No. 679 established a process for an applicant to demonstrate that it meets this standard, including a rebuttable presumption that the standard is met if: (1) the transmission project results from a fair and open regional planning process that considers and evaluates projects for reliability or congestion and is found to be acceptable to the Commission; or (2) a project has received construction approval from an appropriate state commission or state siting authority.⁸

4. Order No. 679-A clarified the operation of this rebuttable presumption by noting that the authorities or processes on which it is based (i.e., a regional planning process, a state commission, or siting authority) must consider whether the project ensures reliability or reduces the cost of delivered power by reducing congestion.⁹

5. In addition to satisfying the FPA section 219 requirement of ensuring reliability or reducing the cost of delivered power by reducing congestion, Order No. 679 requires an applicant to demonstrate that there is a nexus between the incentive sought and the investment being made. In Order No. 679-A, the Commission clarified that the nexus test is met when an applicant demonstrates that the total package of incentives requested is “tailored to address the demonstrable risks or challenges faced by the applicant.”¹⁰

⁴ Pub. L. No. 109-58, § 1241, 119 Stat. 594 (2005).

⁵ Order No. 679, FERC Stats. & Regs. ¶ 31,222 at P 76.

⁶ *Promoting Transmission Investment Through Pricing Reform*, 141 FERC ¶ 61,129 (2012) (Transmission Incentives Policy Statement).

⁷ Order No. 679, FERC Stats. & Regs. ¶ 31,222 at P 76.

⁸ *Id.*

⁹ Order No. 679-A, FERC Stats. & Regs. ¶ 31,236 at P 49.

¹⁰ *Id.* P 27.

Applicants must provide sufficient support to allow the Commission to evaluate each element of the package and the interrelationship of all elements of the package.¹¹ The Commission noted that this nexus test is fact-specific and requires the Commission to review each application on a case-by-case basis.¹²

6. In the Transmission Incentives Policy Statement, the Commission reaffirmed that among the financial and regulatory risk-reducing transmission incentives available pursuant to Order No. 679 were the abandonment and CWIP incentives.¹³ The Commission explained that when considering the award of abandonment recovery, “in addition to the challenges presented by the scope and size of a project, factors like various federal and state siting approvals introduce a significant element of risk.”¹⁴

II. Duquesne’s Filing

A. The Beaver Valley Deactivation Transmission Project

7. Duquesne states that, on March 28, 2018, FirstEnergy Solutions Corp. and FirstEnergy Nuclear Operating Company notified PJM Interconnection, L.L.C. (PJM) of their intent to deactivate about 4,000 MW of nuclear generation between May 31, 2020 and October 31, 2021. Duquesne states that, pursuant to this March 28 notice, four generation facilities are expected to be deactivated, including Davis-Besse Unit 1, Beaver Valley Unit 1, Beaver Valley Unit 2, and the Perry Unit. Duquesne states that, of these 4,000 MW of generation slated for deactivation, 1,872 MW (Beaver Valley Units 1 and 2) are located within Duquesne’s service territory in southwestern Pennsylvania.

8. Duquesne states that, as a result of this planned deactivation, PJM identified approximately 140 reliability criteria violations. Duquesne states that PJM approved several new transmission upgrades for inclusion in its Regional Transmission Expansion Plan (RTEP) that it determined were needed to address reliability criteria violations.¹⁵ According to Duquesne’s filing, the new baseline upgrades will cost approximately \$182.5 million, consist of approximately 47.53 miles of reconductoring existing and new

¹¹ Transmission Incentives Policy Statement, 141 FERC ¶ 61,129 at P 10 (quoting Order No. 679-A, FERC Stats. & Regs. ¶ 31,236 at P 27).

¹² Order No. 679, FERC Stats. & Regs. ¶ 31,222 at P 43.

¹³ Transmission Incentives Policy Statement, 141 FERC ¶ 61,129 at P 11.

¹⁴ *Id.* P 14.

¹⁵ Transmittal at 3.

transmission lines and replacement of existing 138/500kV transformers and substation components, with an expected in-service date of June 1, 2021, spanning three transmission owner zones in Ohio and Pennsylvania.¹⁶

9. Duquesne states that PJM designated Duquesne as the entity responsible for constructing certain of those transmission upgrades, which comprise the Beaver Valley Deactivation Transmission Project. PJM also designated other PJM transmission owners (i.e., West Penn Power Company (West Penn) and Mid-Atlantic Interstate Transmission, LLC (MAIT)) as responsible for constructing the remaining of those transmission upgrades, which are not subject to this application.¹⁷

10. Duquesne states that the Beaver Valley Deactivation Transmission Project addresses about 30 of the 140 reliability criteria violations related to the deactivation. The Beaver Valley Deactivation Transmission Project consists of constructing a new Elrama 135 kV substation, connecting seven 138 kV transmission lines to the new substation, reconductoring several transmission lines, establishing a new circuit, and constructing transmission tie lines from the new Elrama substation to a FirstEnergy

¹⁶ See, e.g., Filing, Attachment B (“Transmission Expansion Advisory Committee Recommendations to the PJM Board, July 2018”) at 14-17, listing all of the PJM transmission upgrades and transmission owners responsible for each upgrade.

¹⁷ Transmittal at 3 & n.8. In Docket No. ER19-297-000, FirstEnergy Service Company, on behalf of its affiliates West Penn and MAIT, filed a request for transmission incentives for their designated transmission upgrades approved in the RTEP to address reliability violations resulting from the generator deactivations. *Mid-Atlantic Interstate Transmission LLC*, 166 FERC ¶ 61,075 (2019).

substation.¹⁸ Duquesne estimates that the Beaver Valley Deactivation Transmission Project will cost \$38.4 million and has a projected in-service date of June 1, 2021.¹⁹

B. Request for Incentive Rate Treatment

11. As discussed below, Duquesne seeks pre-approval for recovery of 100 percent of prudently incurred costs in the event that the Beaver Valley Deactivation Transmission Project is abandoned or cancelled, in full or in part, for reasons beyond its control and inclusion of 100 percent of CWIP in rate base during the development and construction phase of the Beaver Valley Deactivation Transmission Project. With respect to its Abandonment Incentive request, Duquesne notes that it is seeking pre-approval of 100 percent of abandonment costs incurred on and after the date of the issuance of a Commission order granting this application, and 50 percent recovery of costs incurred prior to the date of issuance.²⁰

12. Duquesne states that these requested incentive rate treatments are risk mitigating incentives consistent with the preference set forth in Order Nos. 679 and 679-A, as well as the Transmission Incentives Policy Statement. Additionally, Duquesne states that its request is narrowly tailored given the significant risk associated with the construction of the Project. In support of its request, Duquesne also asserts that the Beaver Valley Deactivation Transmission Project satisfies the Commission's rebuttable presumption that it will either improve reliability or reduce congestion because it was approved by PJM in its RTEP as a baseline upgrade, which demonstrates that the Beaver Valley

¹⁸ Duquesne requests transmission incentives for the following PJM transmission upgrades: (1) b3012.2- constructing new ties from FirstEnergy's new substation to Duquesne's new substation; (2) b3015.1- constructing new 138kV substation at Elmira, and connecting seven 138kV lines to the substation; (3) b3015.2 - reconductoring 4.8 miles of 138kV line from Elrama to Wilson; (4) b3015.3 - reconductoring 3 miles of 138kV line from Dravosburg to West Mifflin; (5) b3015.4 - Run 10 miles of new conductor on an existing tower to establish a new Dravosburg-Elrama circuit; (6) b3015.5 – reductor 4.2 miles of 138kV line from Elrama to Mitchell; and (7) b3015.7 – reconductoring 2 miles of 138kV line from Wilson to West Mifflin. *Id.* at 3, n.9; Filing, Attachment B at 17.

¹⁹ Filing, Attachment B at 17.

²⁰ Transmittal at 2 & n.4 (citing *New England Power Co.*, Opinion No. 295, 42 FERC ¶ 61,016 at 61,081-82, *order on reh'g*, Opinion No. 295-A, 43 FERC ¶ 61,285 (1988)).

Deactivation Transmission Project was subjected to the “fair and open regional planning process” contemplated by Order No. 679.²¹

1. Abandonment Incentive

13. In demonstrating that it meets the nexus test for the Abandonment Incentive, Duquesne states that it faces three risks. First, Duquesne states that it faces the risk of revocation or change in generator deactivation. Duquesne states that there is not insignificant risk that the nuclear generation facilities slated for deactivation that are driving the need for the Project (and the other transmission upgrades identified by PJM) may not be deactivated and instead stay in-service. Duquesne explains that, under PJM’s rules regarding planned generation deactivations, generators are permitted to withdraw their deactivation notices up until the requested deactivation date, which is also the day before the required in-service date of the transmission upgrades driven by the earlier planned deactivation. Duquesne states that, if the generation facilities with planned deactivations that are driving the need for transmission upgrades are not actually deactivated then the required upgrades may no longer be necessary, and PJM could cancel those transmission upgrades. Duquesne asserts that it has no control over whether the nuclear generation facilities with planned deactivations that drove the need for the Project will actually deactivate as planned, or whether they will not, in which case PJM may need to cancel the Project as a result.

14. Second, Duquesne states that it faces regulatory approval risk. Relying on the Transmission Incentives Policy Statement, Duquesne states that the Commission has found that “factors like various federal and state siting approvals introduce a significant element of risk that can be mitigated by the abandonment incentive.”²² Duquesne asserts that the Project is subject to various state and local regulatory approvals, including transmission siting and local permitting ordinances. Duquesne states that “[w]ith respect to siting applications, or Letters of Notification (“LON”), the process for obtaining approval can be both expensive and time consuming – particularly if the Project is contested by stakeholders.” Duquesne adds that “[s]tate regulatory review and approval of siting filings can range from months for a LON to more than a year for a siting application. Multiple routing options must be studied and presented to the state

²¹ *Id.* at 5.

²² *Id.* at 7 & n.24 (citing Transmission Incentives Policy Statement, 141 FERC ¶ 61,129 at P 14).

commission to ensure that the most feasible and least impactful alternatives are pursued based on public input, land use, and environmental resources.”²³

15. Third, Duquesne states that there is an execution risk associated with unaffiliated company coordination. Duquesne asserts that the Beaver Valley Deactivation Transmission Project is subject to an additional, unusual risk because Duquesne must coordinate closely with MAIT and West Penn, and that changes to the nature and scope of the transmission upgrades to be constructed by MAIT and West Penn could impact Duquesne’s construction of the Beaver Valley Deactivation Transmission Project.²⁴

2. CWIP Incentive

16. In support of its request for the CWIP Incentive, Duquesne states that deactivation of Beaver Valley Units 1 and 2 will result in the deactivation of generation facilities in the Duquesne zone with a total generating capacity equal to more than two-thirds of Duquesne’s system peak load, which was 2,683 MW in 2017. Duquesne asserts that such a drastic change in the amount and nature of generation facilities in the Duquesne zone, and the transmission upgrades that PJM designated to Duquesne to construct to mitigate the criteria reliability violations resulting from these changes, are not typical or routine for Duquesne. Duquesne also asserts that it spends approximately \$46.5 million on transmission upgrade costs annually, based on a historical five-year average. Duquesne states that the Project’s expected cost of \$38.4 million is a significant percentage of Duquesne’s average annual transmission spending.

17. Duquesne states that its investment in the Project will require a mix of financing, including short-term debt, long-term debt and equity and, if the Project is not ultimately placed in service because of a change in circumstances, the financing will still be required for the capital expenditures spent until that point. Duquesne asserts that it would be harmful to its creditworthiness if it were required to finance a relatively large transmission project and left with no ability to recover costs or earn a return on the required capital needed to fund the construction of such a project. Duquesne states that it must be able to continue to show cash flows sufficient to recover costs and earn a reasonable return in the future to maintain its current credit ratings and attract financing and any downward pressure on the rating agency’s credit metrics could result in a downgrade of the issuer rating to non-investment grade by one or both of the agencies, which, in turn, could result in higher financing costs and greater execution risk when accessing the capital markets.

²³ *Id.* at 7.

²⁴ *Id.* at 8.

18. Duquesne states that the CWIP incentive will provide greater regulatory certainty and improve cash flow during construction, which will help maintain Duquesne's Standard and Poor's BBB credit rating and which in turn will help secure financing on reasonable terms.

19. Duquesne also maintains that, by avoiding capitalization of the cost of capital through the Allowance for Funds Used During Construction, inclusion of CWIP for the Project in Duquesne's rate base reduces the overall financing costs borne by customers. Duquesne also states that the Commission has acknowledged that the inclusion of CWIP in rate base will benefit consumers by mitigating the possibility that consumers will experience "rate shock" when the Project goes into service.²⁵

III. Notice of Filing and Responsive Pleadings

20. Notice of Duquesne's filing was published in the *Federal Register*, 83 Fed. Reg. 57,470 (2018), with interventions and protests due on or before November 28, 2018. Exelon Corporation, Mid-Atlantic Interstate Transmission, LLC, and West Penn Power Company filed timely motions to intervene. No protests or adverse comments were filed.

IV. Discussion

A. Procedural Matters

21. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2018), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Substantive Matters

22. As discussed below, we grant Duquesne's request for certain incentive rate treatments and abandonment recovery, subject to a compliance filing, as discussed below.

1. FPA Section 219 Requirement

23. The Commission has found that transmission projects approved as baseline upgrades and included in PJM's RTEP are entitled to the rebuttable presumption, as established under Order No. 679, that the relevant facilities will either ensure reliability

²⁵ *Id.* at 6-7 (citing *Oklahoma Gas & Elec. Co.*, 133 FERC ¶ 61,274, at P 48 (2010); *see also Pepco Holdings, Inc.*, 125 FERC ¶ 61,130, at P 63 (2008)).

or reduce the cost of delivered power by reducing transmission congestion.²⁶ Here, the transmission facilities that make up the Beaver Valley Deactivation Transmission Project were approved for inclusion in the PJM RTEP as baseline upgrades, as demonstrated by the August 9, 2018 construction notices that PJM issued to Duquesne.²⁷ Accordingly, we find that the Beaver Valley Deactivation Transmission Project is entitled to the rebuttable presumption as established under Order No. 679.

2. Order No. 679 Nexus

24. As discussed in more detail below, we also find that Duquesne has demonstrated that the Project meets the Order No. 679 nexus test for its requested Abandonment and CWIP Incentives.

a. Abandonment Incentive

25. We grant Duquesne's request to recover 100 percent of its prudently-incurred abandonment costs if the Beaver Valley Deactivation Transmission Project is abandoned or cancelled, in whole or part, for reasons beyond Duquesne's control. This incentive is effective as of the date of this order, as requested. In addition, we find that Duquesne is entitled to seek recovery of 50 percent of the prudently-incurred Project costs expended prior to the date of the issuance of this order, as discussed below.

26. We find that there is a nexus between the incentive that Duquesne seeks and the investment being made. Duquesne has demonstrated that the Beaver Valley Deactivation Transmission Project faces substantial risks and challenges because it will require multiple layers of governmental approvals and will require coordination among multiple transmission owners. Further, we agree that the Beaver Valley Deactivation Transmission Project has a heightened risk of cancellation because the generators with planned deactivations may withdraw their deactivation notices up until the day before the required in-service date for the Beaver Valley Deactivation Transmission Project, which could result in the related transmission upgrades being cancelled by PJM.

27. In Order No. 679, the Commission found that a 100 percent pre-granted abandonment authority is an effective means of encouraging transmission development

²⁶ See *Pub. Serv. Elec. and Gas Co.*, 129 FERC ¶ 61,300, at P 22 (2009) (finding that a baseline upgrade included in the PJM RTEP satisfies the rebuttable presumption).

²⁷ Filing, Attachment A.

by reducing the risk of non-recovery of costs.²⁸ Accordingly, we find that the Beaver Valley Deactivation Transmission Project presents risks and challenges that satisfy the Order No. 679 nexus test.

28. We note that our authorizations in this order leave unaddressed any prudence issues as they may arise in the event Duquesne seek to recover any abandonment costs attributable to the Beaver Valley Deactivation Transmission Project. Order No. 679 reserves these prudence determinations for a separate filing to be made pursuant to FPA section 205,²⁹ if and when Duquesne seek to recover any abandoned plant costs they may incur.³⁰ At that time, Duquesne must demonstrate that the abandonment or cancellation of the Beaver Valley Deactivation Transmission Project was beyond its control, provide for rate authorization allowing for recovery of its prudently-incurred abandonment costs, and propose a rate and amortization period to recover its costs in a just and reasonable manner.³¹

29. We also confirm that Duquesne is eligible to seek recovery of 50 percent of its prudently-incurred abandonment costs, net of the closing out of the transaction and sale of associated assets, for the Beaver Valley Deactivation Transmission Project expended prior to the date of issuance of this order. However, any such recovery is subject to a

²⁸ Order No. 679, FERC Stats. & Regs. ¶ 31,222 at P 163; *see also, e.g., Midcontinent Indep. Sys. Operator, Inc. and ALLETE, Inc.*, 153 FERC ¶ 61,296, at P 28 (2015); *TransCanyon DCR, LLC* 152 FERC ¶ 61,017, at P 41 (2015).

²⁹ 16 U.S.C. § 824d (2012).

³⁰ Order No. 679-A, FERC Stats. & Regs. ¶ 31,236 at P 166.

³¹ For example, in a future FPA section 205 filing establishing the justness and reasonableness of the abandoned plant cost recovery, the applicant would provide: (1) the closing out of transactions, with revenues reducing the abandoned plant amount; (2) the appropriate valuation of abandoned plant (whether original cost, book cost, or other value consistent with Commission regulations in 18 C.F.R. pt. 101 (2018)); (3) that ratepayers receive income tax credit associated with the write off of the worthless asset for associated income taxes that ratepayers paid before abandonment, as well as the plan for the change in timing differences on taxes under 18 C.F.R. 35.24 (2018) for the abandoned plant; (4) that affiliate transactions are consistent with Commission regulations on affiliate behavior; and (5) that nonutility assets are properly recorded and not included in utility rates. *See, e.g., Potomac-Appalachian Transmission Highline, LLC*, Opinion No. 554, 158 FERC ¶ 61,050 (2017).

future filing pursuant to FPA section 205³² establishing the justness and reasonableness of the abandoned plant cost recovery.³³

b. CWIP Incentive

30. We grant Duquesne's request to include 100 percent of CWIP for the Project in Duquesne's rate base under its formula rate during the development and construction phase of the Project. In Order No. 679, the Commission established a policy that allows utilities to include, where appropriate, 100 percent of prudently-incurred transmission-related CWIP in rate base.³⁴ The Commission noted, in Order No. 679, that this rate treatment will further the goals of FPA section 219 by providing up-front regulatory certainty, rate stability, and improved cash flow for applicants, thereby reducing the pressures on their finances caused by investing in transmission projects.³⁵ The Commission has also found that allowing companies to include 100 percent of CWIP in rate base would result in greater rate stability for customers by reducing the "rate shock" when certain large-scale transmission projects come on line.³⁶

31. Consistent with Order No. 679, we find that authorizing 100 percent of CWIP would enhance Duquesne's cash flow, reduce interest expense, assist with financing, and improve coverage ratios used by rating agencies to determine credit quality by replacing non-cash AFUDC with cash earnings. Considering the amount of the investment in comparison to Duquesne's average annual average investment, we find that authorization of the CWIP incentive is appropriate and this increase in cash flow will greatly assist Duquesne's ability to obtain financing for the Project.

32. We also find that CWIP will result in better rate stability for customers. By allowing the CWIP incentive for Duquesne's Beaver Valley Deactivation Transmission

³² 16 U.S.C. § 824d (2012).

³³ The Commission's policy with respect to recovery of 50 percent of cancelled plant project costs is that it is not a transmission rate incentive under Order No. 679. *See New England Power Co.*, Opinion No. 295, 42 FERC ¶ 61,016, *order on reh'g*, 43 FERC ¶ 61,285 (1988).

³⁴ Order No. 679, FERC Stats. & Regs. ¶ 31,222 at PP 29, 117.

³⁵ *Id.* P 115.

³⁶ Transmission Incentives Policy Statement, 141 FERC ¶ 61,129 at P 12 (citing *e.g.*, *PJM Interconnection, L.L.C.*, 135 FERC ¶ 61,229 (2011)). *See also PPL Elec. Utils. Corp.*, 123 FERC ¶ 61,068, at P 43, *reh'g denied*, 124 FERC ¶ 61,229 (2008).

Project, the rate impact can be spread over the entire construction period and will help consumers avoid a return on and of capitalized Allowance for Funds Used During Construction (AFUDC).³⁷

33. However, the Commission's regulations require that, when a public utility files to include CWIP in its rate base, it must propose accounting procedures to ensure that customers will not be charged for both capitalized AFUDC and corresponding amounts of CWIP proposed to be included in rate base.³⁸ Duquesne did not propose such accounting procedures. Accounting procedures that have satisfied this burden have provided internal procedures or accounting entries intended to prevent costs recovered in current rates from being also included in future rates.³⁹ For example, entities have provided detailed narratives and illustrations showing modifications to the accounting system to identify and segregate work orders associated with projects that include CWIP in rate base from work orders that do not. These accounting procedures explained how the accounting system prevents AFUDC capitalization on work orders included in rate base. There may also be other accounting procedures that achieve the objectives described above.

34. For reasons discussed above, we direct Duquesne to submit, in a compliance filing, due within 30 days of the date of this order, a narrative describing the preventative accounting procedures that Duquesne will implement to ensure that customers will not be charged for both capitalized AFUDC and corresponding amounts of CWIP proposed to

³⁷ The Commission permits two approaches to address the financing costs of large transmission investments. The first approach allows a deferred return on funds invested in construction projects through AFUDC. Once a project is placed in service, it is included in rate base and is at that point recovered from ratepayers throughout the service life of the project. The second approach allows current recovery of a return on funds through inclusion of CWIP in rate base during the construction period rather than delaying such recovery until the plant is placed in service. *See, e.g., Boston Edison Co.*, 109 FERC ¶ 61, 300, at P 26-29 (2004).

³⁸ *See* 18 C.F.R. § 35.25(f) (2018).

³⁹ *See, e.g., Trans-Allegheny Interstate Line Company*, 119 FERC ¶ 61,219 (May 31, 2007); *The United Illuminating Company*, Docket No. ER07-653-000, Ex. Nos. UI-13, UI-14 and UI-15 (filed Mar. 23, 2007); *Boston Edison Company*, Docket No. ER05-69-000, Ex. Nos. BE-2 (at 4-5) and BE-6 (filed Oct. 25, 2004); *American Transmission Company LLC*, Docket No. ER04-108-000, Ex. Nos. ATC-9 and ATC-10 (filed Oct. 30, 2003).

be included in rate base.⁴⁰ We note that Commission policy requires Duquesne to also have sufficient accounting controls and procedures to ensure that unpaid accruals properly recorded in the work orders are excluded from transmission rate base.⁴¹ Additionally, we note that Duquesne's accounting controls and procedures may be subject to scrutiny through Commission audit or rate review. Finally, as a result of the Commission approving rate incentives, Duquesne must submit FERC-730 reports annually.⁴²

The Commission orders:

(A) Duquesne's request for abandoned plant recovery for the Project is hereby granted, as discussed in the body of this order.

(B) Duquesne's request for the CWIP Incentive for the Project is hereby granted, subject to Duquesne submitting a compliance filing describing its accounting controls for CWIP, within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

⁴⁰ This method should be implemented prior to the time when costs would be passed on to consumers and should act as an internal mechanism to prevent inappropriate capitalization from taking place.

⁴¹ *PJM Interconnection, L.L.C. and Commonwealth Edison Co.*, 147 FERC ¶ 61,157 (2014); *PJM Interconnection, L.L.C. and Pub. Serv. Elec. and Gas Co.*, 147 FERC ¶ 61,142 (2014).

⁴² FERC-730 annual reports must be filed by public utilities that have been granted incentive rate treatment for specific transmission projects. 18 C.F.R. § 35.35(h) (2018). These reports contain actual, projected, and incremental transmission investment information. Order No. 679, FERC Statutes and Regulations, Regulations Preambles 2006–2007 ¶ 31,222 at PP 358, 367.