

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

PJM Interconnection, L.L.C.

Docket Nos. ER05-697-000
ER05-697-001

ORDER ACCEPTING AND REJECTING PROPOSED TARIFF SHEETS

(Issued July 12, 2005)

1. On March 11, 2005, as amended on May 13, 2005, PJM Interconnection, L.L.C. (PJM) submitted for filing, pursuant to section 205 of the Federal Power Act,¹ three proposed tariff sheets setting forth revisions to Schedule 2 of PJM's Open Access Transmission Tariff (OATT) to reflect the addition of revenue requirements applicable to CED Rock Springs, LLC (Rock Springs), as a provider of cost-based Reactive Supply and Voltage Control from Generation Sources Service (reactive power). As discussed below, we will accept two of PJM's proposed tariff sheets for filing to become effective February 1, 2005, as requested, and reject the other proposed tariff sheet.

Background

2. 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 its Schedule 2.

3. In the March 11, 2005, filing, PJM submitted proposed revisions to its Schedule 2 to reflect Rock Springs's annual and monthly revenue requirements for providing reactive power from its generating facility (Rock Springs facility), which revenue requirements were accepted by the Commission in Docket No. ER05-288-000, effective

¹ 16 U.S.C. § 824d (2000).

February 1, 2005.² PJM explains that it filed revised tariff sheets (First Revised Eighteenth Revised Sheet No. 230 and First Revised Tenth Revised Sheet No. 230A) to be effective February 1, 2005, consistent with the effective date of Rock Springs's Commission-accepted revenue requests. PJM also explains that on March 10, 2005, in Docket No. ER05-692-000, it filed multiple revised tariff sheets to incorporate new and revised Commission-accepted reactive power revenue requirements of several entities into the Schedule 2 chart of the PJM Tariff. It explains that in the March 10, 2005 filing it filed Eleventh Revised Sheet No. 230A designated with an effective date of February 16, 2005, incorporating the reactive power revenue requirements for Buckeye Power, Inc. (Buckeye), which became effective on February 16, 2005. It states that because Rock Springs's reactive power revenue requirements are effective February 1, 2005, prior to the effective date of Buckeye's reactive power revenue requirements, it also filed in this proceeding First Revised Eleventh Revised Sheet No. 230A with an effective date of February 16, 2005, to account for Rock Springs's reactive power revenue requirements.

4. On April 28, 2005, the Commission staff issued a deficiency letter to PJM requesting: (a) a detailed diagram showing the interconnection of the Rock Springs facility with the PECO³ Zone and, if applicable, any other PJM Zone; and (b) an explanation of how the allocation of the Rock Springs revenue requirement for reactive power to the PECO Zone is consistent with the pertinent provisions of the PJM OATT. In response to this Commission staff request, on May 13, 2005, PJM filed a one-line diagram showing that the Rock Springs facility is interconnected to line 5014, a 500 kV line. PJM explains that the portion of the line 5014 to which the Rock Springs facility is interconnected is owned by PECO, and that the line continues eight miles to the west of the Rock Spring's facility point of interconnection to the Peach Bottom substation in the PECO Zone. PJM explains that Schedule 2 of PJM's tariff allocates revenues according to the Zone in which a generator is located. However, PJM states that the term "located" is not defined in Schedule 2. In this instance, PJM explains that it allocated the Rock Springs revenue requirement to the PECO Zone because Rock Springs is interconnected to the segment of the 500 kV line owned by PECO. PJM also states that the Rock Springs facility is modeled in the PECO Zone in PJM's State Estimator, for purposes of determining locational marginal prices.

² See *CED Rock Springs, LLC*, 110 FERC ¶ 61,083 (2005) (*Rock Springs*).

³ PECO Energy Company of Philadelphia (PECO) is owned by Exelon Corporation.

5. PJM requests waiver of the Commission's 60-day prior notice requirement to permit an effective date of February 1, 2005, the effective date of the Rock Springs revenue requirement accepted by the Commission, for First Revised Eighteenth Revised Sheet No. 230 and First Revised Tenth Revised Sheet No. 230A. It also requests waiver to permit an effective date of February 16, 2005, for First Revised Eleventh Revised Sheet No. 230A.⁴

Notice of Filing and Responsive Pleadings

6. Notice of PJM's March 11, 2005 filing was published in the *Federal Register*⁵ with interventions and protests due on or before April 1, 2005. A timely motion to intervene was filed by Con Edison Energy, Inc., and a timely motion to intervene and protest was filed by Exelon Corporation (Exelon). Motions to intervene out of time and answers to Exelon's protest were filed by PHI Companies⁶ and Old Dominion Electric Cooperative (ODEC).

7. In response to Commission staff's deficiency letter, on May 13, 2005 PJM filed an amendment to its March 11, 2005 filing. Notice of this amendment was published in the *Federal Register*,⁷ with interventions and protests due on or before June 3, 2005. PHI Companies filed timely comments in support of PJM's filing and Exelon filed timely comments reiterating its protest. Subsequently, Exelon filed an answer to PHI Companies' comments.

8. In its protest, Exelon argues that Rock Springs's revenue requirement should be assigned to the Zone where the facility is located. Exelon states that PJM ignores the terms of its own tariff and incorrectly assigns the Rock Springs facility to the PECO Zone. Exelon argues that under section 1.49F of PJM's OATT the definition of "Zone" does not look to ownership of the transmission line, but solely to Attachment J, which

⁴ See *Buckeye Power, Inc.*, 110 FERC ¶ 61,166 (2005).

⁵ 70 Fed. Reg. 15,079 (2005).

⁶ PHI Companies include PEPCO Holdings, Inc. and its subsidiaries, Delmarva Power & Light Company, Connective Energy Supply Inc., and PEPCO Energy Services, Inc.

⁷ 70 Fed. Reg. 30,713 (2005).

depicts the various zones in PJM. Exelon contends that Attachment J demonstrates that the Rock Springs facility is located in the Delmarva Power and Light Company Zone (Delmarva Zone). Therefore, because the Rock Springs facility is not located within the PECO Zone, Exelon argues that under PJM's OATT, the appropriate cost assignment for reactive power for the Rock Springs facility should be the Delmarva Zone.

9. Also, Exelon argues that PJM's assumption that the Rock Springs facility is connected to the PECO system is incorrect. Exelon states that the Rock Springs facility is in fact connected to the transmission system owned by ODEC and Rock Springs. Exelon argues that even though the section of 500 kV line owned by ODEC and Rock Springs is connected to a line owned by PECO, this connection does not transform the interconnection between ODEC and Rock Springs to an interconnection between Rock Springs and PECO. Further, Exelon argues that ODEC and Rock Springs are transmission owning members of PJM, and are signatories to the Transmission Owners Agreement. Therefore, Exelon contends that even if PJM's assignment of the reactive power revenue requirements to the transmission owner is correct, which Exelon refutes, the reactive power revenue requirements are incorrectly assigned to PECO, since PECO is not the transmission owner.

Discussion

Procedural Matters

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,⁸ Exelon's timely, unopposed motion to intervene serves to make it a party to this proceeding. We will grant the motions to intervene out of time given the utilities' interest in this proceeding, the early stage of this proceeding and the absence of any undue prejudice or delay. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure⁹ prohibits an answer to a protest unless otherwise ordered by the decisional authority. We are not persuaded to accept the answers filed herein and will, therefore, reject them.

⁸ 18 C.F.R. § 385.214 (2005).

⁹ 18 C.F.R. § 213(a)(2) (2005).

Commission Determination

11. We find that PJM's proposed revisions to Schedule 2 of its OATT to reflect the revenue requirements of Rock Springs for reactive power as accepted by the Commission in Docket No. ER05-288-000 are reasonable, and we will accept PJM's proposed tariff sheets (First Revised Eighteenth Revised Sheet No. 230 and First Revised Tenth Revised Sheet No. 230A) to become effective on February 1, 2005, as requested.¹⁰

12. Pursuant to Schedule 2 of PJM's OATT, the reactive power revenue requirement for a Zone used in determining reactive power charges is "the sum of the monthly revenue requirements for each generator located in a Zone." PJM points out, however, that the term "located" is not defined in Schedule 2. In light of this, PJM allocated the reactive power revenue requirement associated with the Rock Springs facility to the PECO Zone because the facility is interconnected to a segment of 500 kV line owned solely by PECO.

13. The response provided by PJM in its May 13, 2005 filing, and the interconnection agreement accepted in Docket No. ER02-1779-000 between Rock Springs and PECO, show that Rock Springs is interconnected to PECO at the end of a 900-foot 500 kV line that ODEC, on behalf of Rock Springs, built to connect the Rock Springs substation to an existing PECO 500kV line that is wholly owned by PECO, and that connects two PECO substations. As PJM has indicated, the fact that ODEC owns the 900-foot line segment is irrelevant to the zonal determination since these limited transmission facilities are not part of a recognized transmission zone. Moreover, in the May 13, 2005 filing, PJM provided a one-line diagram that illustrates that although the Rock Springs facility is physically located in the Delmarva Zone, it is interconnected to line 5014, a 500 kV line which is owned by PECO at the point of interconnection.¹¹ Further, we note that PECO and Rock Springs are parties to an interconnection agreement on file with the Commission that provides for the interconnection of their transmission systems.¹² Also,

¹⁰ See *Central Hudson Gas & Electric Corp.*, 60 FERC ¶ 61,106, *reh'g denied*, 61 FERC ¶ 61,089 (1992).

¹¹ *PECO Energy Co.*, Docket No. ER02-1779-000, (December 19, 2002) (unpublished letter order accepting the interconnection agreement between PECO and Rock Springs).

¹² *Id.*

we find no validity to Exelon's contentions that Attachment J demonstrates the location of the Rock Springs facility because Attachment J is a general map indicating the various transmission zones, and does not detail the location of various generators or transmission segments within each zone. Finally, PJM has indicated that the Rock Springs facility is modeled in the PECO Zone in PJM's State Estimator.¹³

14. The main issue before us is whether Rock Springs's costs for providing reactive power under PJM's Schedule 2 should be allocated to the zone where its generating facility is physically located, or to the zone to which the facility is interconnected, and to which the facility provides reactive power. Exelon suggests that even though the Rock Springs facility only provides reactive power to the PECO Zone, and Rock Springs only has an interconnection agreement with PECO to provide reactive power, that the Delmarva Zone consumers should have the cost liability for Rock Springs to provide reactive power to the PECO Zone because the Rock Springs facility is physically located in the Delmarva Zone. We disagree. 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. Therefore, because the Rock Springs facility is only interconnected to PECO, and the PECO Zone is the sole beneficiary of the facility's reactive power, *i.e.*, the output of the Rock Springs facility can only be delivered to PECO's transmission system, we find that PJM's interpretation of Schedule 2 to include the Rock Springs facility in the PECO Zone to be just and reasonable.

15. In addition, we disagree with Exelon's argument that the Rock Springs facility is "interconnected" with the Delmarva Zone for purposes of Schedule 2. While it is true that the Rock Springs facility is connected to the Delmarva system, it is connected only by a one-way low-voltage distribution line that is incapable of taking delivery of the output from the Rock Springs facility and, accordingly, cannot receive any reactive power.

16. As to PJM's other proposed tariff sheet (First Revised Eleventh Revised Sheet No. 230A) which it submitted before the filing of this case to reflect the incorporation of Buckeye's reactive power revenue requirements with an effective date of February 16, 2005, we note that the Commission subsequently granted an effective date of February 1,

¹³ See *PJM Interconnection, L.L.C.*, 104 FERC ¶ 61,031 at P 5 (2003).

2005,¹⁴ and then directed PJM to file a compliance filing to reflect the change in effective date.¹⁵ PJM made that filing on May 27, 2005 in Docket No. ER05-692-001, and it is currently pending before the Commission. In light of those circumstances, we will reject PJM's proposed First Revised Eleventh Revised Sheet No. 230A as moot and we will address any remaining issues including proper rate schedule designations in Docket No. ER05-692-001.

The Commission orders:

(A) PJM's proposed tariff sheets (First Revised Eighteenth Revised Sheet No. 230 and First Revised Tenth Revised Sheet No. 230A) are hereby accepted for filing, to become effective on February 1, 2005.

(B) PJM's proposed tariff sheet (First Revised Eleventh Revised Sheet No. 230A) is hereby rejected.

By the Commission.

(S E A L)

Linda Mitry,
Deputy Secretary.

¹⁴ See *Buckeye Power, Inc.*, 111 FERC ¶ 61,088 (2005).

¹⁵ See *PJM Interconnection, L.L.C.*, 111 FERC ¶ 61,166 (2005).