

130 FERC ¶ 61,233
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
and John R. Norris.

PJM Interconnection, L.L.C.

Docket No. EL05-121-007

ORDER ON REHEARING

(Issued March 24, 2010)

1. On February 22, 2010, Exelon Corporation submitted a rehearing requesting that the Commission require PJM Interconnection, L.L.C. (PJM) to provide additional factual information bearing upon the paper hearing established by the Commission to examine PJM's allocation of costs relating to transmission projects at or above 500 kV. In this order, we grant rehearing in part for the limited purpose of requiring PJM to provide certain factual information that is in its possession and may bear upon the allocation of costs for 500 kV projects and deny the requests for information and analysis that does not involve data in the control of PJM.

I. Background

2. On April 19, 2007, the Commission issued Opinion No. 494 - - an order on an initial decision concerning PJM's transmission rates.¹ In Opinion No. 494, the Commission retained the current license-plate methodology with respect to cost recovery for existing facilities.² For recovery of the costs of investment in new facilities that operate below a 500 kV threshold, the Commission continued the use of PJM's DFAX analysis to identify the load that benefits from new facilities.³ For recovery of the cost of

¹ *PJM Interconnection, L.L.C.*, Opinion No. 494, 119 FERC ¶ 61,063 (2007), *order on reh'g*, Opinion No. 494-A, 122 FERC ¶ 61,082 (2008).

² Under a license-plate (or zonal) rate design, a customer pays the embedded cost of transmission facilities that are located in the same zone as the customer. A customer does not pay for other transmission facilities outside of the zone, even if the customer engages in transactions that rely on those zones.

³ PJM's DFAX methodology allocates the costs of new facilities to load based on a computer model that measures the flows across a constraint. PJM Tariff, Schedule 12

(continued...)

investment in new facilities that operate at or above 500 kV, however, the Commission adopted a postage-stamp cost allocation methodology.⁴

3. On August 6, 2009, the Seventh Circuit Court granted a petition for review regarding the use of a postage-stamp cost allocation methodology for new transmission facilities that operate at or above 500 kV, and on October 28, 2009, remanded the case to the Commission for further proceedings.⁵ On January 21, 2010, the Commission established paper hearing procedures to allow parties to supplement the record in this proceeding.⁶ As part of the paper hearing procedures, the Commission provided PJM and the parties with an opportunity to provide additional information to supplement the existing record.

4. In P 10 of the January 21, 2010 Order, the Commission requested that PJM provide, among other things, the following information:

1. The total costs that have been approved through PJM's Regional Transmission Expansion Plan (RTEP) process for facilities that operate at or above 500 kV (and necessary lower voltage facilities), and whose costs are assigned pursuant to Opinion No. 494. For these projects, calculate the total costs that have been assigned to each PJM zone, and estimate the total costs that would be assigned to each zone using PJM's DFAX methodology.

2. PJM manuals require that, in planning projects, it seek to optimize projects in order to reduce the cost of addressing individual reliability criteria. Describe

(b)(iii).

⁴ Under a postage-stamp methodology, all transmission service customers in a region pay a uniform rate per unit-of-service, based on the aggregated costs of all covered transmission facilities in the region.

⁵ *Illinois Commerce Commission v. FERC*, 576 F.3d 470 (7th Cir. 2009).

⁶ *PJM Interconnection, L.L.C.*, 130 FERC ¶ 61,052 (2010) (January 21, 2010 Order). The Commission provided a 30-day period for PJM to provide certain information as discussed below to provide all parties with a framework on which to submit responses. Parties, including PJM, were given 45 days from the date of PJM's filing to address the appropriate cost allocation methodology to allocate the cost of new transmission facilities that operate at or above 500 kV. Reply comments will then be due within 30 days. On February 22, 2010, the Commission granted a request by PJM for an extension until April 6, 2010 for submission of its initial responses.

how the optimization process is performed. Also, explain how PJM determines the relative priorities of resolving numerous reliability issues with one project. For 500 kV and above facilities, explain whether PJM could accurately determine the beneficiaries of a project that resolves numerous reliability issues using its DFAX methodology.

3. In this proceeding, PJM recommended the adoption of a postage-stamp rate design for new 500 kV and above facilities.

1. Describe the benefits generated by such facilities that are not captured in the DFAX methodology used by PJM to allocate costs for lower voltage facilities. Indicate whether such lines provide reliability or economic benefits to the areas producing electricity.

2. Provide engineering or other studies showing any differences in regional benefits between 500 kV and lower voltage facilities (e.g., 345 kV and 230 kV).

II. Rehearing Request

5. Exelon Corporation (Exelon) has submitted a request for rehearing. Exelon requests that PJM be required to provide information pertaining to projects that operate at 345 kV parallel to the information that the Commission directed PJM to provide in P 10 of the January 21, 2010 Order. Specifically, Exelon requests that PJM be required to provide:

1. With respect to P 10 A, the total costs that have been approved through PJM's Regional Transmission Expansion Plan (RTEP) process for facilities that operate at 345 kV and above but below 500 kV (and necessary lower voltage facilities), and whose costs are assigned to each zone using PJM's DFAX methodology, as well as estimates of the total costs that would have been assigned to each zone for these facilities under the socialization methodology adopted by Opinion No. 494 for 500 kV and above facilities.

2. Similar information as required in P 10 B, but with respect to 345 kV and above facilities, explaining whether PJM could accurately determine the beneficiaries of such a project that resolves numerous reliability issues using its DFAX methodology.

3. With respect to P 10 D, a description of the benefits generated by facilities 345kV and above that are not captured in the DFAX methodology used by PJM to allocate costs for lower voltage facilities, and PJM's indication as to whether such lines provide reliability or economic benefits to the areas producing electricity.

Engineering or other studies showing any differences in regional benefits between 345 kV and lower voltage facilities (e.g., 230 kV).

6. In support of its request, Exelon states that requiring PJM to provide the data would assure the comparability of the resulting information, would avoid any bias in the record, and would avoid the appearance of prejudgment by the Commission. Exelon contends that PJM has all the required data and will be making similar calculations regarding 500 kV facilities, requiring PJM to provide this information along with the data required by the January 21, 2010 Order will be more efficient than having the parties make these calculations and submit data. Exelon concludes that if PJM provides the data, there will be no question about comparability of underlying assumptions.

7. Comments in opposition to Exelon's request were submitted by Dayton Power and Light, Baltimore Gas and Electric Company, PHI Companies and Virginia Power Electric and Power Company, and the Indicated Transmission Companies (PPL Electric Utilities Corporation, Public Service Electric and Gas Company, and Rockland Electric Company). Commenters contend that Exelon's request is beyond the scope of the Seventh Circuit Court's remand.

III. Discussion

8. Exelon's rehearing request focuses on three separate requests for information sought from PJM in the January 21, 2010 Order. As discussed below, we grant rehearing with respect to one request (P 10 subpart A) for the limited purpose of requiring PJM to provide certain factual information in the control of PJM that may bear upon the reasonableness of cost allocation for transmission projects at or exceeding 500 kV. We deny the other requests because they do not involve data in the possession of PJM and Exelon has the information available to perform its own analysis.

9. In P 10, subpart A, the Commission sought information regarding facilities that operate at or above 500 kV, and whose costs are assigned pursuant to Opinion No. 494. For these projects, the Commission requested that PJM calculate the total costs that have been assigned to each PJM zone, and estimate the total costs that would be assigned to each zone using PJM's DFAX methodology. Information on the cost allocation for lines across PJM's footprint is in the possession of PJM and may not reasonably be available to other parties. Because the Seventh Circuit Court decision remanded in part the Commission's basis for treating 500 kV lines differently than lower voltage lines, the information sought by Exelon may lead to the discovery of admissible evidence.

Accordingly, for the purposes of discovery, we grant Exelon's request that the information in P 10 subpart A be provided for lines that operate at or above 345 kV.⁷

10. In P 10, subpart B, the Commission requested that PJM describe how it determines the relative priorities of resolving numerous reliability issues with one project, and for 500 kV and above facilities, explain whether PJM could accurately determine the beneficiaries of a project that resolves numerous reliability issues using its DFAX methodology. Exelon requests that PJM explain whether it could accurately determine the beneficiaries of such a project that resolves numerous reliability issues using its DFAX methodology for projects that operate at 345 kV and above.

11. PJM has recommended in this proceeding that a different rate design approach apply to projects at or above 500 kV than for lower voltage lines. The Commission's request to PJM was for PJM to explain whether the cost allocation optimization process in its Manuals can be used accurately for 500 kV projects. Exelon's request does not involve data or analysis only in PJM's possession. Since PJM already uses this optimization process for lower voltage facilities, and makes this information available, we see no basis for asking PJM to provide its subjective analysis of the approach relative to 345 kV lines. Exelon can analyze this approach relative to 345 kV lines without input from PJM. Accordingly, we deny Exelon's request.

12. In P 10, subpart D, the Commission requested that PJM justify a position that it took during the hearing by describing how the benefits generated by facilities that operate at 500 kV and above that are not captured in the DFAX methodology used by PJM to allocate costs for lower voltage facilities, and PJM's indication as to whether such lines provide reliability or economic benefits to the areas producing electricity. Exelon requests this information for facilities that operate at or above 345 kV. The Commission requested that PJM justify a position that it took during the proceeding, and Exelon's request is not based on information in the control of PJM. We therefore deny Exelon's request.

⁷ For purposes of discovery, we need not address commenters' concerns regarding the scope of the proceeding. Rule 402 of the Commission's Rule of Practice and Procedure provides "[I]t is not ground for objection that the information sought will be inadmissible in the Commission proceeding if the information sought appears reasonably calculated to lead to the discovery of admissible evidence." 18 C.F.R. § 385.402(a) (2009).

The Commission orders:

The Commission grants rehearing in part, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.