



# FEDERAL ENERGY REGULATORY COMMISSION

NEWS

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Docket Nos. EL07-62-000, ER07-576-000  
and ER08-10-000

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## **FERC Acts to Improve Transmission Reliability, Lower Power Costs**

The Federal Energy Regulatory Commission (FERC) today acted to improve reliability of the interstate transmission system by approving requests for transmission investment incentives for new grid construction.

The requests came from Southern California Edison (SCE) for three proposed transmission projects in California and Arizona, and from Baltimore Gas and Electric Co. (BG&E) for several transmission owner-initiated (TOI) projects in Maryland. FERC said the new projects will improve system reliability, reduce transmission congestion and provide lower-cost power to customers.

“Today’s actions will help strengthen our nation’s transmission grid, helping consumers by improving reliability and enhancing competition that will reduce the cost of electricity,” FERC Chairman Joseph T. Kelliher said.

Under Order No. 679, FERC allows a public utility to obtain incentive rate treatment for transmission infrastructure investments if it demonstrates that the new facilities either will ensure reliability or reduce the cost of delivered power by reducing transmission congestion.

In the SCE decision, FERC found that the company’s proposed projects meet the rebuttable presumption, established in Order No. 679, of eligibility for incentive rate treatment because they have been approved by a regional planning process. Transmission projects are eligible if they result from either a fair and open regional planning process that considers projects for reliability and/or congestion and are acceptable to FERC, or have received construction approval from an appropriate state commission or state siting authority.

SCE is proposing to build three projects: the Devers-Palo Verde II (DPV2) Project, which consists of the construction of two major transmission lines; the Tehachapi Project, which consists of more than 200 miles of 500 kV transmission line, approximately 10 miles of 220 kV transmission line and three new substation facilities; and the Rancho Vista Project, which includes a proposed new 500 kV substation. The Tehachapi Project will allow significant amounts of wind generation to interconnect with the SCE transmission system. That is intended to support compliance with California’s renewable portfolio standard and the state’s efforts to require reductions in greenhouse gas emissions.

FERC found that SCE satisfied the Commission’s “nexus” standard under Order No. 679 for each of its requested incentives. The Commission also found that SCE’s overall risk is reduced by construction work in progress (CWIP) and abandoned plant cost incentives, and therefore adjusted the return on equity (ROE) incentives to allow a 125-basis point ROE incentive for the DPV2 and Tehachapi Projects and a 75-basis point ROE incentive for the Rancho Vista Project.





FERC also determined that BG&E's request for transmission rate incentives for TOI projects qualifies for an ROE transmission rate incentive.

BG&E last February had requested certain rate incentives, including a 50-basis point incentive adder, to its authorized ROE for all jurisdictional facilities in recognition of its continuing membership in PJM. BG&E also asked for a 100-basis point incentive adder to its authorized ROE for investment in new transmission constructed for certain baseline, transmission-owner initiated and future projects and inclusion of 100 percent CWIP in rate base.

On July 24, 2007, the FERC authorized BG&E's request for a 50-basis point incentive for RTO participation and a 100-basis point incentive for two baseline projects. At that time, FERC denied the company's proposal to include 100 percent CWIP in rate base and set a technical conference to further determine whether the TOI projects satisfied the "nexus" test. Today's order approves a 100-basis point ROE incentive for the TOI facilities, which were designed to improve the reliability and safety of BG&E facilities in Baltimore and Carroll counties, Maryland. The order said the facilities will "enlarge, improve and maintain the operation of BG&E's transmission facilities, which in turn increases the reliability of PJM's service."

In a separate order, FERC granted Pepco Holdings, Inc.'s request to implement a transmission rate incentive of 50-basis points for continued membership in PJM. PHI's request was filed on behalf of its transmission-owning public utility affiliates, Atlantic City Electric Company (ACE), Delmarva Power and Light Company (Delmarva) and Potomac Electric Power Company (Pepco).

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