

111 FERC ¶ 61,248  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Orange and Rockland Utilities, Inc.

Docket No. ER05-797-000

ORDER ACCEPTING REVISED TARIFF SHEETS

(Issued May 25, 2005)

1. In this order, we accept revisions filed by Orange and Rockland Utilities, Inc. (O&R) to its Open Access Transmission Tariff (OATT). The purpose of these revisions is to allocate the costs associated with relocating existing overhead transmission facilities underground (Municipal Undergrounding Projects) to the initiating municipality. This order benefits customers by ensuring that O&R's OATT is consistent with Commission policy of cost responsibility following cost causation.

**Background**

2. O&R proposes to allocate the incremental transmission-facility costs associated with its Municipal Undergrounding Projects, as requested or required by a municipality, to the unbundled retail transmission customers located in the initiating municipality.<sup>1</sup> O&R asserts that the costs associated with the Municipal Undergrounding Projects should be assigned to those entities that cause such costs to be incurred and that benefit from the project. O&R further asserts that since Municipal Undergrounding Projects are usually related to a municipality's commercial or aesthetic benefit, do not generally provide service-related benefits, and are not required for system reliability or good utility practice, the projects' incremental costs should be passed along to the unbundled retail transmission customers, located in the municipality that requests or requires the project,

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<sup>1</sup> O&R states that because some Municipal Undergrounding Projects are likely to involve local distribution facilities, it has submitted an amendment to its state-jurisdictional tariff to the New York Service Commission (New York Commission), which would allocate the state-jurisdictional costs of undergrounding existing overhead facilities in the same manner as proposed for the Commission-jurisdictional costs at issue in this proceeding. The New York Commission considered and approved this amendment on April 13, 2005.

who enjoy their benefits. O&R explains that the costs would not be recovered from wholesale transmission customers or from retail transmission customers living outside of the initiating municipality. It further explains that the revisions would not apply to costs incurred for underground construction of new transmission facilities that do not replace existing facilities, nor would they apply when a project is not requested or required by a municipality.

3. O&R proposes recovering Municipal Undergrounding Projects' incremental costs by imposing a volumetric surcharge to the applicable delivery-service charges to the applicable unbundled retail transmission customers over an agreed timeframe. It explains that the surcharge would recover a levelized carrying charge on the incremental capital costs, which include an incremental depreciation expense, a rate of return component, and incremental property taxes resulting from the Municipal Undergrounding Project, as calculated in the proposed Schedule 10 of the OATT. If the requesting municipality chooses to fund a portion of the undergrounding costs, or if O&R chooses to exclude such costs from the proposed Schedule 10, the incremental capital costs would be reduced by that amount of funding. O&R further explains that the proposed Schedule 10 surcharge would be updated annually to reflect any change in the projected quantity of surcharged service during the next 12 months and to reconcile the surcharges from the prior 12 month period. O&R requests waiver of the Commission's prior notice requirement to permit an effective date of May 1, 2005. O&R notes that it will not be able to charge customers under these revised tariff sheets until it files a specific surcharge with the Commission.

### **Notice, Interventions, Protests**

4. Notice of O&R's filing was published in the *Federal Register*, 70 Fed. Reg. 22,021 (2005) on April 19, 2005, with comments, protests, or interventions due on or before April 29, 2005. No comments, protests, or interventions were filed.

### **Discussion**

5. The Commission will accept O&R's revised tariff sheets imposing a surcharge on unbundled retail transmission customers for Municipal Undergrounding Projects, to be effective May 1, 2005, as requested. The unopposed revised tariff sheets are consistent with the Commission's policy of having cost responsibility follow cost causation.<sup>2</sup> Moreover, the Commission supports the localization of costs that do not provide system-wide benefits, including the undergrounding expenses at issue here.

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<sup>2</sup> E.g., *ANR Pipeline Co.*, 92 FERC ¶ 61,284 at 61,970 (2000); *Natural Fuel Gas Supply Corp.*, 68 FERC ¶ 61,132 at 61,638.

The Commission orders:

O&R's revised tariff sheets are hereby accepted for filing to become effective on May 1, 2005.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.