

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

Alliance Companies

Docket No. EL02-65-012

Ameren Services Company
On behalf of:

Union Electric Company
Central Illinois Public Service Company

American Electric Power Service Corporation
On behalf of:

Appalachian Power Company
Columbus Southern Power Company
Indiana Michigan Power Company
Kentucky Power Company
Kingsport Power Company
Ohio Power Company
Wheeling Power Company

Dayton Power and Light Company

Exelon Corporation
On behalf of:

Commonwealth Edison Company
Commonwealth Edison Company
of Indiana, Inc.

FirstEnergy Corporation
On behalf of:

American Transmission Systems, Inc.
Cleveland Electric Illuminating Power Company
Ohio Edison Company
Pennsylvania Power Company
Toledo Edison Company

Illinois Power Company

Northern Indiana Public Service Company

and

National Grid USA

Alliance Companies

Docket No. RT01-88-023

Ameren Services Company

On behalf of:

Union Electric Company

Central Illinois Public Service Company

American Electric Power Service Corporation

On behalf of:

Appalachian Power Company

Columbus Southern Power Company

Indiana Michigan Power Company

Kentucky Power Company

Kingsport Power Company

Ohio Power Company

Wheeling Power Company

Consumers Energy Company and

Michigan Electric Transmission Company

Dayton Power and Light Company

Exelon Corporation

On behalf of:

Commonwealth Edison Company

Commonwealth Edison Company

of Indiana, Inc.

FirstEnergy Corporation

On behalf of:

American Transmission Systems, Inc.

Cleveland Electric Illuminating Power Company

Ohio Edison Company

Pennsylvania Power Company

Toledo Edison Company

Illinois Power Company

Northern Indiana Public Service Company

Virginia Electric and Power Company

Alliance Companies

Docket Nos. ER99-3144-022
and EC99-80-022

Ameren Services Company

On behalf of:

Union Electric Company

Central Illinois Public Service Company

American Electric Power Service Corporation

On behalf of:

Appalachian Power Company

Columbus Southern Power Company

Indiana Michigan Power Company

Kentucky Power Company

Kingsport Power Company

Ohio Power Company

Wheeling Power Company

Consumers Energy Company and the
Michigan Electric Transmission Company

Dayton Power and Light Company

Detroit Edison Company and
International Transmission Company

Docket No. EL02-65-012, et al.

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Exelon Corporation
On behalf of:
Commonwealth Edison Company
Commonwealth Edison Company
of Indiana, Inc.

Docket No. ER01-2992-005

FirstEnergy Corporation
On behalf of:

American Transmission Systems, Inc.
Cleveland Electric Illuminating Power Company
Ohio Edison Company
Pennsylvania Power Company
Toledo Edison Company

Illinois Power Company

Docket Nos. RT01-84-006,
ER01-123-010, and
ER01-2999-005

Northern Indiana Public Service Company

Docket No. RT01-26-006

Virginia Electric and Power Company

Docket No. ER01-2993-005

Dayton Power and Light Company

Docket Nos. RT01-37-006
and ER01-2997-005

American Electric Power Service Corporation
On behalf of:

Docket No. ER01-2995-005

Appalachian Power Company
Columbus Southern Power Company
Indiana Michigan Power Company
Kentucky Power Company
Kingsport Power Company
Ohio Power Company
Wheeling Power Company

Midwest Independent System Operator

Docket No. EL02-111-003

PJM Interconnection, L.L.C.

And all Transmission Owners
(including the entities identified below)

Union Electric Company

Central Illinois Public Service Company

Appalachian Power Company

Columbus Southern Power Company

Indiana Michigan Power Company

Kentucky Power Company

Kingsport Power Company

Ohio Power Company

Wheeling Power Company

Michigan Electric Transmission Company

Dayton Power and Light Company

Commonwealth Edison Company

Commonwealth Edison Company
of Indiana, Inc.

American Transmission Systems, Inc.

Illinois Power Company

Northern Indiana Public Service Company

Virginia Electric and Power Company

IES Utilities, Inc.

Interstate Power Company

Aquila, Inc. (formerly UtiliCorp United, Inc.)

PSI Energy, Inc.

Union Light Heat & Power Company

Dairyland Power Cooperative

Great River Energy

Hoosier Energy Rural Electric Cooperative

Indiana Municipal Power Agency

Indianapolis Power & Light Company

Louisville Gas & Electric Company

Kentucky Utilities Company

Lincoln Electric (Neb.) System

Minnesota Power, Inc. and its subsidiary
Superior Water, Light & Power Company

Montana-Dakota Utilities

Northwestern Wisconsin Electric Company

Otter Tail Power Company

Southern Illinois Power Cooperative

Southern Indiana Gas & Electric Cooperative

Southern Minnesota Municipal Power Agency

Sunflower Electric Power Corporation

Wabash Valley Power Association, Inc.

Wolverine Power Supply Cooperative

International Transmission Company

Alliant Energy West

Xcel Energy Services, Inc.

MidAmerican Energy Company

Corn Belt Power Corporation

Allegheny Electric Cooperative, Inc.

Atlantic City Electric Company

Baltimore Gas & Electric Company

Delmarva Power & Light Company

Jersey Central Power & Light Company

Metropolitan Edison Company

PECO Energy Company

Pennsylvania Electric Company

PPL Electric Utilities Corporation

Potomac Electric Power Company

UGI Utilities, Inc.

Allegheny Power

Carolina Power & Light Company

Central Power & Light Company

Conectiv

Detroit Edison Company

Duke Power Company

Florida Power & Light Company

GPU Energy

Northeast Utilities Service Company

Ohio Power Company

Old Dominion Electric Cooperative

PECO Energy Company

Public Service Company of Colorado

Public Service Electric & Gas Company

Public Service Company of Oklahoma

Rockland Electric Company

South Carolina Electric & Gas Company

Southwestern Electric Power Company

Cincinnati Gas & Electric Company

Missouri Public Service

WestPlains Energy

Cleco Corporation

Kansas Power & Light Company

OG&E Electric Services

Southwestern Public Service Company

Empire District Electric Company

Western Resources

Kansas Gas & Electric

ORDER GRANTING CLARIFICATION IN PART AND
DENYING REQUEST FOR REHEARING

(Issued November 17, 2003)

1. This order grants Consumers Energy Company's (Consumers) request for clarification, in part, and denies Consumers' request for rehearing of the Commission's decision in Alliance Companies, et al., 103 FERC ¶ 61,274 (2003) (June Order). In the June Order, the Commission stated that the requirement that utilities in Wisconsin and Michigan be held harmless from loop flows or congestion resulting from the proposed regional transmission organization (RTO) configuration would end with the commencement of a common market.
2. This order benefits customers in the Midwest and PJM regions because it provides further clarification regarding RTO operations in these regions.

BACKGROUND

3. In the July 31 Order, the Commission conditionally accepted the Alliance Companies' proposals to join either the Midwest Independent Transmission System Operator, Inc. (Midwest ISO) or PJM Interconnection, L.L.C. (PJM). Among other conditions, the Commission required the implementation of a common market across the two RTOs by October 1, 2004, and that the Alliance Companies seeking to join PJM, along with PJM and the Midwest ISO, provide a solution which would effectively hold utilities in Wisconsin and Michigan harmless from any loop flows or congestion that resulted from the proposed configuration.¹ The Commission also instituted under Section 206 of the Federal Power Act (FPA) an investigation of inter-RTO rates.

¹ July 31 Order at P 40, 53.

4. In the June Order, the Commission denied requests for rehearing and clarified the July 31 Order. Among other things, the Commission denied rehearing of the requirement that utilities in Wisconsin and Michigan be held harmless from loop flows or congestion that result from the proposed RTO configuration. The Commission also clarified that utilities in Wisconsin and Michigan utilities should be held harmless from any adverse operational and financial impacts associated with such loop flows or congestion during the interim period prior to the commencement of the common market, at which time, the Commission stated, congestion and loop flows would be effectively internalized.²

REQUEST FOR CLARIFICATION AND REHEARING

5. On July 7, 2003, Consumers filed a request for rehearing of the June Order. Consumers states that the Commission correctly denied rehearing of the July 31 Order's requirement that utilities in Wisconsin and Michigan be held harmless from congestion and loop flows that result from the choices of Illinois Power Company (Illinois Power), American Electric Power Service Corporation (AEP), and Commonwealth Edison Company (ComEd) to join PJM. However, Consumers contends, the Commission erroneously set a termination date for this hold harmless requirement coincident with the commencement of the common market, without establishing the specific attributes that the common market must possess in order to ensure that loop flow and congestion are effectively internalized. Consumers argues that without specific attributes the commencement of the common market will not necessarily remedy the adverse operational and financial impacts of congestion and loop flows that the hold harmless condition is intended to address.

6. Therefore, Consumers asks that the Commission find that the commencement of a functional common market means the date on which the Midwest ISO market monitor has determined that: (1) a robust and common wholesale energy market exists; (2) the dispatch of generation in PJM and the Midwest ISO leads to efficient locational marginal prices across the joint and common wholesale market footprint; and (3) there is no rate pancaking of transmission charges between PJM and the Midwest ISO. Consumers objects if the Commission merely intended the end date for the hold harmless condition to be the date on which PJM and the Midwest ISO declare a common market to be operative, irrespective of the attributes of that common market.

7. In addition, Consumers claims that the June Order did not address the impact of AEP's integration, or lack of integration, into PJM on this end date. Consumers asserts

² June Order at P 43, 47.

that until AEP is integrated into PJM pancaking of transmission charges will persist, and that rate pancaking creates an incentive for the market to artificially dispatch generation against the pancaked seam in an inefficient manner, internalizing congestion at an artificial and unnecessary cost. Therefore, Consumers maintains that congestion and loop flows resulting from the RTO choices of AEP and ComEd cannot be effectively internalized until AEP is integrated into PJM. Consumers requests that the Commission require that the hold harmless condition imposed by the July 31 Order remain in place for as long as the loop flow and congestion impacts on Wisconsin and Michigan utilities caused by the RTO choices of AEP and ComEd continue. Consumers states that, if the Commission declines to do so, it requests that the Commission at least find that the commencement of the common market will not occur prior to the integration of AEP into PJM.

DISCUSSION

8. We deny Consumers' request for rehearing. However, we clarify that the end date for the Michigan and Wisconsin hold harmless condition is not the date on which PJM and the Midwest ISO simply declare a common market to be operative, regardless of the attributes of that common market. In the June Order we stated that ". . . utilities in Wisconsin and Michigan, therefore, must be held harmless from congestion or loop flows resulting from the creation of this seam during the interim period prior to commencement of the common market (at which time congestion and loop flows will be effectively internalized)."³ Thus, the hold harmless requirement will no longer be needed with the effective internalization of congestion and loop flows, and the hold harmless requirement will continue until this is accomplished. However, the specifics regarding how, if, and when the common market effectively mitigates the impacts of congestion and loop flow in Wisconsin and Michigan resulting from the choices of certain former Alliance Companies to join PJM are beyond the scope of this proceeding. PJM and the Midwest ISO will have to make a filing at the Commission which demonstrates that our conditions have been met before the hold harmless commitment is terminated. Consumers' concerns regarding the attributes of the common market and the termination date for the hold harmless requirement are more appropriately raised in that proceeding.

9. Consumers also requests that the Commission clarify that the hold harmless requirement will not be terminated until AEP is integrated into PJM. Specifically, Consumers is concerned that pancaked transmission charges will continue if ComEd is integrated into PJM without AEP. However, we deny clarification on this issue because we believe Consumers' concern is premature. Whether the possible integration of

³ June Order at P 43.

ComEd into PJM without AEP will prevent the effective internalization of loop flow and congestion through coordination under a common market is an issue that is more appropriately addressed when PJM and the Midwest ISO make the filing regarding their implementation of the common market, as discussed above. Moreover, we note that the Commission has initiated an investigation pursuant to Section 206 of the FPA, in Docket No. EL03-212-000, to determine whether the through and out rates under the individual-company tariffs of certain former Alliance Companies, including AEP, are just, reasonable, and not unduly discriminatory or preferential. Concerns that Consumers may have regarding the pancaking of transmission charges for a former Alliance Company that does not join an RTO are more properly addressed in that proceeding.

The Commission orders:

Consumers' request for clarification is hereby granted, in part, and its request for rehearing is hereby denied, as discussed in the body of this order.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.