

124 FERC ¶ 61,245  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

PJM Interconnection, L.L.C.

Docket No. ER08-229-001

ORDER ON REHEARING

(Issued September 18, 2008)

1. On February 13, 2008, the Commission conditionally accepted a filing by PJM Interconnection, L.L.C. (PJM) regarding the cost allocation assignment of baseline Regional Transmission Expansion Projects (RTEP) that operate at or above 500 kV.<sup>1</sup> The Illinois Commerce Commission (ICC) has requested rehearing, and Old Dominion Electric Cooperative, Inc. (Old Dominion) has requested clarification or in the alternative, rehearing of the Commission's order.

2. This order denies the requests for rehearing and clarification.

**I. Background**

3. In Opinion No. 494, the Commission accepted a methodology that allocates, on a region-wide basis, the transmission enhancement charges to recover the costs of new, centrally-planned facilities that operate at or above 500 kV.<sup>2</sup> The Commission ordered PJM to submit a compliance filing "implementing the necessary revisions to PJM's Tariff and Operating Agreement" to implement the regional cost allocation methodology. On May 21, 2007, PJM submitted revisions to Schedule 12 to implement the cost allocation

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<sup>1</sup> *PJM Interconnection, L.L.C.*, 122 FERC ¶ 61,130 (2008) (February 13, 2008 RTEP order).

<sup>2</sup> *PJM Interconnection, L.L.C.*, Opinion No. 494, 119 FERC ¶ 61,063, at P 76 (2007).

methodology for facilities that operate at or above 500kV and the lower voltage facilities necessary to support such facilities (May 21, 2007 compliance filing).<sup>3</sup>

4. On November 16, 2007, PJM Interconnection, L.L.C. (PJM) in accordance with Schedule 12 of the PJM Open Access Transmission Tariff (OATT or Tariff) and section 1.6 of Schedule 6 of the PJM Operating Agreement, filed amendments to reflect the assignments of cost responsibility for three baseline upgrades that will operate at or above 500 kV and are included in the most recent update to the Regional Transmission Expansion Plan (RTEP). On February 13, 2008, the Commission conditionally accepted the November 16, 2007 filing, subject to the outcome of the proceedings in Docket No. ER06-456, *et al.*<sup>4</sup>

## II. Rehearing Requests

5. ICC states that the Commission erred in accepting PJM's November 16, 2007 filing that allocates the cost of the three RTEP transmission projects that operate at or above 500 kV on a postage-stamp basis. ICC contends that a postage-stamp allocation of the RTEP projects will force \$339 million of costs upon Illinois electricity users that neither cause, nor benefit from the projects.<sup>5</sup> ICC argues that the Commission is violating its cost-causation principles, and the Federal Power Act requirement of just and reasonable rates.<sup>6</sup>

6. Old Dominion submitted a protest of PJM's November 16, 2007 RTEP filing to the extent that PJM failed to propose PJM region-wide cost allocation for certain upgrades that Old Dominion maintained were entitled to such rate treatment. Old

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<sup>3</sup> On January 31, 2008, the Commission denied rehearing of Opinion No. 494 and accepted the May 21, 2007 compliance filing. *PJM Interconnection, L.L.C.*, Opinion No. 494-A, 122 FERC ¶ 61,082 (2008). On March 3, 2008, Old Dominion requested clarification, or in the alternative, rehearing of the Commission's order accepting the May 21, 2007 compliance filing, and on July 17, 2008, the Commission denied rehearing. *PJM Interconnection, L.L.C.*, 124 FERC ¶ 61,033 (2008).

<sup>4</sup> PJM had previously filed RTEP cost responsibility assignments in Docket No. ER06-456, Docket No. ER06-954, Docket No. ER06-1271, Docket No. ER07-424, and Docket No. ER07-1186 (consolidated).

<sup>5</sup> ICC contends that the specific RTEP projects are being constructed for the purpose of improving reliability and relieving congestion in eastern PJM.

<sup>6</sup> *Citing Pacific Gas and Electric Company v. FERC*, 373 F. 3d 1315, 1320-22 (D.C. Cir. 2004); *KN Energy v. FERC*, 968 F. 2d 1295, 1300 (D.C. Cir. 1991).

Dominion states that it had protested the May 21, 2007 compliance filing, that its protest of the May 21, 2007 compliance filing was pending at the time it filed its protest in this proceeding, and that it has requested rehearing of Opinion No. 494-A. Old Dominion requests that the Commission clarify that, if PJM's cost allocation methodologies are modified based on Old Dominion's request for rehearing of Opinion No. 494-A (or any appeal thereof), then PJM will be required to apply such revised cost allocation methodology to the RTEP transmission projects in the instant proceeding.

7. In the alternative, Old Dominion requests rehearing of the Commission's dismissal of Old Dominion's protest of the November 16, 2007 RTEP filing. Old Dominion maintains that, because the Commission's basis for rejecting Old Dominion's protest of the November 16, 2007 RTEP filing was the Commission's acceptance of PJM's cost allocation methodology in Opinion No. 494-A, should the Commission (or Court of Appeals) modify the resolution of issues raised by Old Dominion, it would be arbitrary and capricious not to apply any cost allocation methodology changes to the RTEP projects submitted in the November 16, 2007 filing.

### **III. Commission Determination**

8. ICC contends that the Commission erred in approving a postage-stamp cost allocation methodology for recovery of investment in new transmission facilities that will operate at or above 500 kV. ICC filed the same request for rehearing of Opinion No. 494, and in Opinion No. 494-A, the Commission denied the rehearing request, reaffirming its findings that transmission facilities that operate at or above 500 kV provide region-wide reliability benefits, and the rolled-in approach is justified because the benefits of such facilities are sufficiently broad to support a postage-stamp allocation methodology. The Commission found that a postage-stamp cost allocation methodology best addresses the region-wide nature of the reliability benefits of transmission facilities that operate at or above 500 kV.

9. In its rehearing request,<sup>7</sup> ICC has raised only generic issues with respect to the postage stamp rate structure for 500 kV facilities, and has not raised any specific issues with respect to the projects in this filing. We, therefore, deny the rehearing request for the reasons stated in Opinion No. 494-A.

10. Old Dominion requests clarification that, to the extent PJM's cost allocation methodologies are modified based on Old Dominion's request for rehearing of Opinion

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<sup>7</sup> In denying the protest of the November 16, 2007 RTEP filing, the Commission noted that ICC had raised the same issues in its protest of the November 16, 2007 filing as it did in its request for rehearing of Opinion No. 494. ICC's protest of the November 16, 2007 RTEP was filed before the Commission issued Opinion No. 494-A.

No. 494-A, PJM will be required to apply such revised cost allocation methodology to the RTEP transmission projects in the instant proceeding. The Commission has denied Old Dominion's rehearing request in Opinion No. 494-A. In denying rehearing of Opinion No. 494-A, the Commission accepted PJM's rationale that the function of non-integral transformer facilities that operate below 500 kV is to deliver energy to load. Old Dominion's clarification and rehearing requests are denied for the reasons given in denying rehearing of Opinion No. 494-A.

The Commission orders:

The requests for rehearing and or clarification are hereby denied, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.