

137 FERC ¶ 61,128
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
and Cheryl A. LaFleur.

PJM Interconnection, L.L.C.
Trans-Allegheny Interstate Line Company

Docket No. ER11-4574-000

ORDER ACCEPTING MODIFICATIONS TO THE STATEMENT OF ANNUAL
TRANSMISSION REVENUE REQUIREMENT

(Issued November 17, 2011)

1. On September 20, 2011, PJM Interconnection, L.L.C. (PJM) submitted, on behalf of Trans-Allegheny Interstate Line Company (TrAILCo), pursuant to section 205 of the Federal Power Act (FPA),¹ proposed modifications to TrAILCo's Attachment H-18 to the PJM Open Access Transmission Tariff (OATT) in order to reflect the additional PJM transmission zones in which TrAILCo may construct facilities. In this order, we accept for filing the proposed modifications to PJM's OATT, effective November 20, 2011, as requested.

I. Background

2. On February 21, 2007, TrAILCo submitted its transmission cost of service formula rate schedule for inclusion in Attachment H-18 to the OATT (Formula Rate Filing). TrAILCo states that its formula rate is used to determine the annual transmission revenue requirement for the TrAIL Project and certain other transmission enhancements that are required by the PJM Regional Transmission Expansion Plan (RTEP) for reliability purposes. TrAILCo also states that Attachment H-18 is comprised of three components: (i) a statement of the annual revenue requirement, (ii) the formula included in Attachment H-18A, and (iii) the implementation protocols included in Attachment H-18B.

3. On May 31, 2007, the Commission accepted and suspended the proposed formula rate in Attachment H-18 and established hearing and settlement procedures to consider the formula rate and other issues.² On March 14, 2008, TrAILCo filed a settlement

¹ 16 U.S.C. § 824d (2006).

² *Trans-Allegheny Interstate Line Co.*, 119 FERC ¶ 61,219 (2007) (May 31 Order).

agreement and offer of settlement in Docket No. ER07-562-004 to resolve all the issues set for hearing in the May 31 Order. On July 28, 2008, the Commission approved the settlement.³

4. Separately, on February 25, 2011, FirstEnergy Corp. consummated its merger with Allegheny Energy, Inc.⁴ At that time, FirstEnergy Corp. became the ultimate parent of TrAILCo,⁵ and TrAILCo became affiliated with Pennsylvania Electric Company, Metropolitan Edison Company, Jersey Central Power and Light Company, and American Transmission Systems, Inc. (FirstEnergy Affiliates).

II. Proposed Tariff Revisions

5. TrAILCo proposes to revise its annual transmission revenue requirement in Attachment H-18 to reflect the additional PJM transmission zones of the FirstEnergy Affiliates in which TrAILCo may finance, construct, own, operate, and maintain facilities. TrAILCo also proposes to clarify a previous statement to the Commission regarding the types of transmission facilities TrAILCo may construct.

6. TrAILCo clarifies that, in addition to constructing projects approved by the PJM Board, TrAILCo may, from time to time, construct Regional RTEP Projects, Subregional RTEP Projects, and Supplemental Projects, as those terms are defined in the PJM Operating Agreement,⁶ and other transmission projects all within the Allegheny Power, Pennsylvania Electric Company, Metropolitan Edison Company, Jersey Central Power and Light Company, and American Transmission Systems, Inc. zones of PJM. TrAILCo states that such projects may be constructed for reliability, market efficiency, public policy, and/or operating purposes.

III. Notice of Filing and Responsive Pleadings

7. Notice of TrAILCo's filing was published in the *Federal Register*, 76 Fed. Reg. 60,015 (2011), with interventions and protests due on or before October 11, 2011. Timely motions to intervene were filed by American Municipal Power, Inc. (AMP), PJM,

³ *Trans-Allegheny Interstate Line Co.*, 124 FERC ¶ 61,075 (2008) (Settlement Order).

⁴ *FirstEnergy Corp., et al.*, 133 FERC ¶ 61,222 (2010).

⁵ Previously, TrAILCo was a wholly-owned subsidiary of Allegheny Energy Transmission, LLC, a direct, wholly-owned subsidiary of Allegheny Energy, Inc.

⁶ PJM Operating Agreement, Third Rev. Rate Schedule FERC No. 24.

and Dominion Resources Services, Inc. AMP also filed comments. On October 26, 2011, TrAILCo filed an answer to AMP's comments.

8. AMP states that it does not oppose TrAILCo's tariff revisions as long as it is understood that incentives for any particular project constructed within the transmission zones of TrAILCo's FirstEnergy affiliates must be approved by the Commission individually. AMP states that it understands that the prior grant of incentives for a project will not extend to any new project by virtue of the Commission's acceptance of TrAILCo's tariff revisions in this docket. AMP states that it also understands acceptance in this docket will not apply to any extension or expansion of a project for which incentives have been approved, without an opportunity for affected stakeholders to protest and for the Commission to consider those incentives on the merits.

9. AMP states, more specifically, that it is concerned that TrAILCo's proposed tariff revisions in this docket may allow TrAILCo to recover return on equity (ROE) incentives for new or expanded facilities without individual consideration by the Commission. AMP requests that the Commission confirm that any proposed project be considered individually and not be automatically approved based on the Commission's acceptance of the tariff revisions proposed in the instant filing.

10. In its answer, TrAILCo asserts that the Commission has already addressed the concerns raised in AMP's comments. TrAILCo states that the settlement the Commission previously approved is clear that any new or expanded facilities will not have a ROE incentive unless approved by the Commission.⁷ TrAILCo states that it did not request transmission incentives in this proceeding and that it did not seek to change existing Commission policy on transmission incentives.

IV. Commission Determination

A. Procedural Matters

11. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2011), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

12. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2011), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept TrAILCo's answer because it has provided information that assisted us in our decision-making process.

⁷ See *supra* note 3.

B. Substantive Matters

13. We will accept TrAILCo's proposed tariff revisions to Attachment H-18 to PJM's OATT, to be effective November 20, 2011.

14. AMP's understanding of the application of incentives is correct; our acceptance of incentives previously approved for TrAILCo does not extend the ROE incentives to all future transmission projects undertaken by TrAILCo. In the Settlement Order, the Commission approved a ROE of 11.2 percent plus a 50 basis point adder for TrAILCo's continued membership in PJM for a total ROE of 11.7 percent. This ROE of 11.7 percent applies, unless TrAILCo makes an incentive filing for a specific project pursuant to the Commission's incentives policy.⁸

The Commission orders:

The proposed tariff modifications to Attachment H-18 of the PJM OATT submitted by PJM on behalf of TrAILCo are hereby accepted, effective November 20, 2011, as discussed in the body of this order.

By the Commission. Commissioner Spitzer is not participating.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁸ See *Promoting Transmission Investment through Pricing Reform*, Order No. 679, FERC Stats. & Regs. ¶ 31,222 (2006), *order on reh'g*, Order No. 679-A, FERC Stats. & Regs. ¶ 31,236, *order on reh'g*, 119 FERC ¶ 61,062 (2007).