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# FEDERAL ENERGY REGULATORY COMMISSION

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## NEWS RELEASE

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### FOR IMMEDIATE RELEASE

April 19, 2007  
Docket Nos. EL05-121-000, 002  
and ER06-1271-003, *et al.*

## COMMISSION ADOPTS TRANSMISSION COST ALLOCATION PLAN FOR PJM

The Federal Energy Regulatory Commission today accepted a plan for allocating transmission costs among PJM Interconnection's in-area transmission service customers.

"This has been a long and complicated proceeding. By modifying the PJM cost allocation rules we provide regulatory certainty that should encourage greater investment in the regional grid. Our order also takes care to avoid imposition of large costs shifts among the transmission systems of PJM utilities," Chairman Joseph T. Kelliher said.

The Commission reaffirmed PJM's current "license plate" rate design for allocating the cost of existing facilities and new owner-initiated facilities, reversing the findings of an administrative law judge in a July 2006 initial decision. The judge had found that utilities should pay a uniform "postage stamp" rate for access to the regional transmission grid.

Under a license plate design, each utility pays for transmission service based on the costs of transmission facilities located in the same, sub-regional zone that the utility is located in.

The Commission agreed with the judge's finding that, although the grid today is operated on an integrated basis, that fact alone "does not support a reallocation of sunk transmission costs within PJM," the Commission said. "The current license plate rate design remains just and reasonable because it reflects the prior investment decisions of the individual transmission owners," the Commission said, adding: "[T]hese facilities were built principally to support load within the individual transmission owners' zones and continue to serve those loads."

The Commission affirmed the judge's initial decision, in part, regarding PJM's approach for allocating the costs of new, PJM-planned facilities, which provides that those benefiting from the project must pay its costs.

The methodology determining who benefits is not in PJM's tariff, and the methodology was not sufficiently detailed, the Commission said. As a result, rates are "subject to relitigation each time a new project is proposed. This deprives both investors and customers of any certainty regarding the allocation of the costs of new transmission facilities," the Commission said.

In a separate companion order (Docket No. ER06-1271, *et al.*), the Commission directs PJM to develop a detailed methodology to be included in PJM's tariff for determining who benefits from, and therefore, who pays for new facilities – both reliability projects and economic projects – below 500 kilovolts (kV). The methodology may use different criteria for reliability versus economic projects, "if justified on the record," the Commission added.

However, the Commission also determined that the costs of all new PJM-planned facilities that operate at or above 500 kilovolts – both reliability projects and economic projects – should be shared on a region-wide basis. "The benefits of new facilities at or above 500 kV are sufficiently broad that a region-wide postage stamp rate is appropriate," the Commission said, noting that these facilities provide broad, regional benefits and the region-wide sharing of associated costs would encourage the development of a robust transmission grid.

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