

July 13, 2007

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*Via E-Filing*

Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E. Room 1A  
Washington, D.C. 20426

**Re: PJM Transmission Owners' Informational Compliance Filing Pursuant to Paragraph 263 of Order No. 890; Docket Nos. RM05-17-000 and RM05-25-000**

Dear Ms. Bose:

The PJM Transmission Owners,<sup>1</sup> acting through the Consolidated Transmission Owners Agreement, jointly submit this information filing in compliance with Paragraph 263 of Order No. 890.<sup>2</sup> This filing submits information to support the current PJM Border Rate for point-to-point transmission service across or through PJM as consistent with the requirements of Order No. 890. Accordingly, the PJM Transmission Owners are not filing to change the current PJM Border Rate.

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<sup>1</sup> The PJM Transmission Owners include: Allegheny Electric Cooperative, Inc.; American Electric Power Service Corporation, on behalf of certain operating companies of the American Electric Power System, including Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company, and Wheeling Power Company ("AEP"); Monongahela Power Company, The Potomac Edison Company, and West Penn Power Company, all doing business as Allegheny Power; Baltimore Gas and Electric Company; The Dayton Power and Light Company ("Dayton"); Virginia Electric and Power Company; Duquesne Light Company; Exelon Corporation on behalf of its operating company affiliates Commonwealth Edison Company (and its wholly-owned subsidiary, Commonwealth Edison Company of Indiana, Inc.) and PECO Energy Company; Jersey Central Power & Light Company, Metropolitan Edison Company, and Pennsylvania Electric Company; the PHI Operating Companies, *i.e.*, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company; PPL Electric Utilities Corporation; Public Service Electric and Gas Company; Rockland Electric Company; and UGI Utilities, Inc. Old Dominion Electric Cooperative and Neptune Regional Transmission System, LLC are also transmission owners within PJM, but do not have revenue requirements supporting zonal rates under the PJM Tariff.

<sup>2</sup> *Preventing Undue Discrimination and Preferences in Transmission Service*, 118 FERC ¶ 61,119 at P 263 (2007) ("Order No. 890").

## I. Background

On February 16, 2007, the Federal Energy Regulatory Commission (“Commission”) issued Order No. 890 which amended the regulations and the *pro forma* open access transmission tariff adopted in Order Nos. 888 and 889 to ensure that transmission service is provided on a basis that is just, reasonable and not unduly discriminatory or preferential. Among other things, Order No. 890 requires transmission providers to submit redesigned transmission charges that reflect Capacity Benefit Margin (“CBM”) set-aside through a limited issue Section 205 rate filing as part of their initial ATC-related compliance filing.

Within PJM, the Section 205 rights to change the PJM regional rate design or joint transmission rates is reserved by the PJM Transmission Owners acting in accordance with the Consolidated Transmission Owners Agreement.<sup>3</sup> Accordingly, the PJM Transmission Owners are submitting this filing in compliance with Paragraph 263 of Order No. 890. The PJM Transmission Owners have relied upon the CBM-set aside amount determined by PJM in preparing this filing.

## II. PJM Border Rate

The PJM Border Rate is a single rate for transmission service either through (*i.e.*, across) PJM or from inside PJM to outside PJM.<sup>4</sup> The Border Rate is set forth in Schedules 7 and 8 of the PJM Tariff for firm and non-firm point-to-point transmission service. Originally, the Border Rate was derived from the load-weighted average of the point-to-point rates for all PJM zones, *i.e.*, the point-to-point rate that applies to transmission service used to serve load located with a PJM zone. However, over the last several years, the PJM Transmission Owners have not modified the Border Rate even when increases in the revenue requirements underlying zonal point-to-point transmission service rates could have supported a change. The Border Rate was last revised when Commonwealth Edison Company joined PJM on May 1, 2004 and the Border Rate was decreased to \$1.574/kW-month. The Commission has not required the PJM Transmission Owners to change the Border Rate to reflect changes in the zonal rates underlying

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<sup>3</sup> See Sections 7.2.1 and 8.5.1 of the Consolidated Transmission Owners Agreement, PJM Rate Schedule No. 42, accepted by the Commission in *PJM Interconnection, L.L.C., et al.*, 114 FERC ¶ 61,283 (2006); see also, *PJM Interconnection, L.L.C. and Virginia Electric and Power Co.*, 109 FERC ¶ 61,012 at P 23 (2004) (“*Virginia Electric*”); *Atlantic City v. FERC*, 329 F.3d 857 (D.C. Cir. 2003) (“*Atlantic City IP*”); and *Atlantic City v. FERC*, 295 F.3d 1 (D.C. Cir. 2002) (“*Atlantic City F*”).

<sup>4</sup> *Virginia Electric* at P 20 (2004).

the Border Rate, although, as discussed below, the load-average weighting of all zonal point-to-point transmission rates today would support an increase to the Border Rate.<sup>5</sup>

### III. The Current PJM Border Rate Is Below The Level Of A Redesigned Rate And Therefore Complies With Paragraph 263

Paragraph 263 of Order No. 890 requires that transmission charges be redesigned to ensure that point-to-point customers do not pay a transmission charge that includes the cost of the CBM set-aside. PJM has set-aside 3500 megawatts (“MW”) of emergency import capability as CBM. This amount is reserved for generation adequacy purposes and is therefore not available for firm transmission service under non-emergency conditions.<sup>6</sup> Although expansion of the PJM region over recent years has increased PJM’s import capability, PJM has capped CBM at 3500 MW because the vast majority of the reliability benefit of interconnection is supplied by the first 3500 MW of import capability.<sup>7</sup> No CBM is reserved for any individual zones in PJM.

As noted earlier, the current Border Rate is below the rate that could be supported by a load-weighted average of all zonal point-to-point transmission service rates. To ensure that the current Border Rate does not include the cost of the CBM set-aside, the PJM Transmission Owners calculated what the Border Rate would be if it were changed to reflect the current zonal point-to-point transmission service rates and if that result were adjusted downward to reflect an imputed level of demand equal to the amount of MW set aside by PJM for CBM. These calculations are shown in Attachment A to this compliance filing. Attachment A shows that the Border Rate reflecting all zonal point-to-point transmission rates within PJM would be \$1.688/kW-month. Adjusting this rate to reflect inclusion of the 3500 MW set-aside by PJM for CBM would decrease the rate to \$1.637/kW-month. Because the current Border Rate is less than this charge, the current rate ensures that point-to-point customers do not pay a transmission charge that includes costs for the amount of CBM set aside by PJM. Therefore, no change to the Border Rate is necessary to comply with Paragraph 263.

The Commission has permitted the PJM Transmission Owners to maintain the current Border Rate of \$1.574/kW-month when changes were made to the zonal rates. Similarly, the

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<sup>5</sup> *PJM Interconnection, L.L.C.*, 108 FERC ¶ 61,318 at P 20 (2004), *reh’g denied*, 110 FERC ¶ 61,395 (2005) (maintaining the Border Rate at \$1.574/kW-month when AEP and Dayton joined PJM).

<sup>6</sup> *See* PJM Generation Adequacy Analysis: Technical Methods (October 2003) at p. 7. [www.pjm.com/planning/res-adequacy/downloads/20040621-white-paper-sections12.pdf](http://www.pjm.com/planning/res-adequacy/downloads/20040621-white-paper-sections12.pdf)

<sup>7</sup> *Id.*, *see also* PJM Planning Committee Letter to Members Re: 2007 Reserve Requirements Study (November 29, 2006). [www.pjm.com/committees/planning/downloads/20061206-item04-2007-reserve-requirement-study-assumptions.pdf](http://www.pjm.com/committees/planning/downloads/20061206-item04-2007-reserve-requirement-study-assumptions.pdf)

PJM Transmission Owners request that the Commission find that the current Border Rate complies with Paragraph 263 of Order No. 890 because it is less than the rate that can be justified using a load-weighted average of all zonal point-to-point transmission rates. This ensures that point-to-point customers do not pay a transmission charge that includes costs for the amount of CBM set aside by PJM. The current Border Rate is also reasonable when compared to the highest PJM zonal rate of \$2.676/kW-month. The Commission has found that the highest zonal rate can be used as a benchmark to evaluate the reasonableness of the level of an RTO's border rate.<sup>8</sup>

The PJM Transmission Owners note that neither the current Border Rate nor the calculation shown in Attachment A includes any revenue requirements collected by Transmission Enhancement Charges under Schedule 12 of the PJM Tariff for transmission upgrades approved by the PJM Board as part of the PJM Regional Transmission Expansion Plan. Therefore, Transmission Enhancement Charges under Schedule 12 do not impact the analysis presented in this filing.

#### V. Communications

Correspondence and communications with respect to this filing should be sent to the following:

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<sup>8</sup> *Alliance Companies*, 94 FERC ¶ 61,070 (2001).

A copy of this filing is being served on representatives of PJM. The PJM Transmission Owners have asked PJM to post this filing electronically as a means of service to PJM members, and request that the Commission waive the requirement to mail copies to PJM members.

**VI. Conclusion**

The PJM Transmission Owners request that the Commission accept this compliance filing and find that the current PJM Border Rate for point-to-point transmission service across or through PJM is consistent with the requirements of Order No. 890.

Respectfully submitted,

*/s/ Becky M. Bruner*

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*Counsel for Exelon Corporation  
On behalf of the PJM Transmission Owners*

Attachment

## CERTIFICATE OF SERVICE

A copy of this filing is being served on representatives of PJM. The PJM Transmission Owners have asked PJM to post this filing electronically as a means of service to PJM members.

Dated, July 13, 2007, Washington, DC.

/s/ Pamela R. Clarke-Koonce

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# Attachment A

PJM Border Rate - Average Rate Including CBM						
1	Calculated Border Rate (without adjustment for CBM)				\$ 1.688	\$/KW-Mo
2	Sum of 12-CPs across all PJM Zones				110535.6	MW
3	CBM				3500	MW
4	Sum of 12-CPs across all PJM Zones plus CBM				L.2+ L.3	MW
5	CBM Adjustment Factor				L.2/ L.4	
6	Calculated Border Rate (with adjustment for CBM)				L.5 * L.1	\$/KW-Mo
Zone	Firm Point-to-Point Rate \$/KW-Mo	2006 Load 12-CP MW	Weight	Border Rate Contribution		
AE <sup>1</sup>	2.647	1894	0.01713	0.04536		
BG&E <sup>1</sup>	1.694	5463.6	0.04943	0.08374		
Delmarva <sup>1</sup>	1.606	3067	0.02775	0.04455		
FE <sup>2</sup>	1.259	9168.9	0.08295	0.10443		
PECO <sup>2</sup>	2.189	6514	0.05893	0.12900		
PPL <sup>3</sup>	1.886	6521	0.05899	0.11123		
Pepco <sup>1</sup>	1.479	5114	0.04627	0.06842		
PSE&G <sup>2</sup>	1.975	7714.1	0.06979	0.13783		
AP <sup>2</sup>	1.737	7273.4	0.06580	0.11430		
Rockland <sup>2</sup>	2.676	281.8	0.00255	0.00682		
ComEd <sup>1</sup>	1.925	16755	0.15158	0.29180		
AEP East <sup>2</sup>	1.7574	20663.8	0.18694	0.32853		
Dayton <sup>2</sup>	1.306	2915.67	0.02638	0.03445		
Duquesne <sup>1</sup>	2.143	2264.6	0.02049	0.04391		
Dominion <sup>2</sup>	1.06608	14924.75	0.13502	0.14394		
Total		110535.6	1.00000	1.688		

<sup>1</sup> Transmission owners with formula rates under Attachment H. The zonal point-to-point transmission rate is calculated as the current revenue requirement (derived from the formula) divided by the zone's 2006 12-CP load

<sup>2</sup> Transmission owners with stated zonal point-to-point rates under Schedule 7.

<sup>3</sup> There are three transmission owners with point-to-point transmission in the PPL zone. The zone's rate is a composite of the three.