

PJM Finance Committee Discussion Topic

Summary for January 20, 2011 TOA-AC

Topic

Tariff Schedule 9 Stated Rate Refund Eligibility for members integrating with American Transmission System, Inc. (ATSI) integration on June 1, 2011 and the Duke integration on January 1, 2012.

Question

Should new member activity resulting from the ATSI and Duke integrations be eligible to receive Tariff Schedule 9 Stated Rate refunds that had accumulated prior to the respective integration dates?

Considerations

PJM researched the potential financial, operational and legal impacts of excluding new member activity resulting from the ATSI integration from June 2011 Tariff Schedule 9 Stated Rate refunds. These considerations are consistent for the Duke integration, though at roughly half the financial impact as the ATSI integration. Below is a summary of PJM's research:

1. Financial –
 - a. PJM has estimated that total June 2011 Tariff Schedule 9 Stated Rate refunds will approximate \$3 million.
 - b. The new member activity from the ATSI integration is estimated to represent 9 – 10% of the post-ATSI integration total PJM activity.
 - c. Therefore, the estimated June 2011 Tariff Schedule 9 Stated Rate refunds that would be distributed to new member activity in the ATSI zones is not expect to exceed \$300,000.
 - d. The largest percentage of Tariff Schedule 9 Stated Rate charges and refunds to current PJM members is approximately 9%.
 - e. So, the largest potential Tariff Schedule 9 Stated Rate refund “shift” from an existing PJM member due to the new member activity associated with the ATSI integration is less than \$30,000.
2. Operational –
 - a. A significant portion of load in the ATSI zones is served by companies other than the transmission owners. So, PJM's billing systems would need to identify and track activity for dozens of members that might be excluded from June 2011 Tariff Schedule 9 Stated Rate refunds. Automating such tracking is estimated to cost more than \$200,000. Manual tracking of such “ineligible” activity would be time-consuming and potentially less accurate than automation.

- b. Many companies in the ATSI zones are already active PJM members. If any June 2011 activity were to be ineligible for Tariff Schedule 9 Stated Rate refunds, assumptions would need to be made regarding which activity volumes would have occurred for each existing member absent the ATSI integration to ensure those activity volumes still received Tariff Schedule 9 Stated Rate refunds.
3. Legal –
- a. Tariff Schedule 9 Stated Rate refunds were established in the latter 2005 Stated Rate settlement.
 - b. Any revisions to that refund mechanism, including an eligibility exclusion of certain member activity, would require re-opening the Stated Rate settlement and FERC approval of any revisions thereto.
 - c. Though there have been no member requests to date to re-open the Stated Rate settlement, there could be a risk of additional aspects of the settlement being opened if PJM were to file a request for revisions to the settlement to exclude certain member activity from Tariff Schedule 9 Stated Rate refunds.

Anticipated Next Step

PJM plans to review the results of their research with the Finance Committee on its scheduled March 30, 2011 conference call and request the Finance Committee recommend that no revisions to the Tariff Schedule 9 Stated Rate refund mechanism are required in conjunction with the ATSI or Duke integrations.