

98 FERC ¶ 61, 235  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
William L. Massey, Linda Breathitt,  
and Nora Mead Brownell.

PJM Interconnection, L.L.C.  
Allegheny Power

Docket No. RT01-98-004

ORDER GRANTING CLARIFICATION

(Issued March 1, 2002)

On February 7, 2002, Allegheny Power (Allegheny) filed a request for clarification concerning the Commission's January 30, 2002 order, addressing PJM West implementation issues.<sup>1</sup> As discussed below, we will grant Allegheny's request for clarification concerning the scope of the hearing established by the January 30 Order and the PJM West effective date.

Background

In the January 30 Order, we addressed a compliance filing made by Allegheny and PJM Interconnection, L.L.C. (PJM), in response to our July 12, 2001 order in this proceeding.<sup>2</sup> The January 30 Order accepted those portions of the compliance filing permitting Allegheny and PJM to establish PJM West. The January 30 Order also accepted Allegheny's proposed rates for filing, subject to a nominal suspension and the outcome of an evidentiary hearing "concerning the justness and reasonableness of all rate

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<sup>1</sup>PJM Interconnection and Allegheny Power, 98 FERC ¶ 61,072 (2002) (January 30 Order).

<sup>2</sup>PJM Interconnection, L.L.C. and Allegheny Power, 96 FERC ¶ 61,060 (2001), reh'g pending (PJM West RTO Order).

issues relating to the formation of PJM West, as discussed in the body of this order."<sup>3</sup> We approved an effective date for PJM West of March 1, 2002, as requested, and required Allegheny and PJM to file conforming tariff sheets within 30 days of the date of our order.

In its request for clarification, Allegheny seeks guidance regarding the scope of the hearing established by the January 30 Order. Specifically, Allegheny seeks clarification that the Commission did not intend the scope of the hearing to extend beyond the narrow, factual questions interveners have raised concerning the sufficiency of data supporting Allegheny's claimed lost revenues, the wholesale customer cost allocation methodology addressed in Allegheny's September 10, 2001 compliance filing, and other rate concerns specifically identified in the January 30 Order. Allegheny also seeks clarification that the January 30 Order did not set for hearing a general investigation of Allegheny's costs.

Allegheny also requests rehearing to relieve it of the obligation to implement PJM West effective March 1, 2002. Allegheny notes that while it previously requested a March 1, 2002 effective date for PJM West, this timetable was conditioned on the Commission acting favorably on its compliance filing and thus providing sufficient rate certainty for Allegheny to move forward. Allegheny asserts that because these rates have now been cast in uncertainty (due to the hearing procedures established in the January 30 Order), Allegheny is unable, at this time, to commit to PJM West. Allegheny further notes, as a practical matter, that PJM West cannot be up and running by March 1, 2002, given PJM's need, under its open access transmission tariff (OATT) and market rules, to post available transmission capacity a month in advance, and to sell fixed transmission rights for March 2002 by the 8th day of the preceding month, *i.e.*, by February 8, 2002, a date that is now past.

### Discussion

In the January 30 Order, we noted, among other things, that Allegheny was required, in its compliance filing, to provide additional support addressing numerous aspects of its rates proposals. We noted, among other things:

In the PJM West RTO Order, we required Allegheny to provide additional support for its proposed revenue neutrality mechanism and to make certain changes to the rates applicable to the Allegheny zone. We

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<sup>3</sup>See ordering paragraph C, January 30 Order, 98 FERC at 61,072.

also required Allegheny to revise the divisor used to develop the zonal rate by (i) subtracting the coincident peak megawatt amount of load served by each firm point-to-point transaction and adding the reserved MW amount associated with each of those transactions; and (ii) reflecting firm transmission rights (FTRs) demand rather than monthly network load.

The PJM West RTO Order also required Allegheny to propose a mechanism to hold all existing network customers harmless from the conversion from the rolling load ratio share calculation in Allegheny's currently effective OATT to the unit rate for network service under the PJM OATT. Allegheny was required to exclude all pre-Order No. 888 contract billing determinants in its derivation of its revenue requirement for reactive supply and voltage control service. Allegheny was also ordered to provide additional support for its estimate of lost revenues, specifically addressing pre-Order No. 888 contract revenues, point-to-point revenues associated with delivery within the Allegheny control area, and ancillary service revenues, and to provide further support for the estimate of Allegheny's share of revenues associated with regional "through-and-out" service.

Allegheny was also required to show that its projection of benefits to others arising from the reduction in the PJM unit charges for administrative services was net of any increased costs PJM could be expected to incur as a result of the PJM West expansion. Allegheny was further required to provide additional support for the derivation of its unit charges and projected revenues for the transitional revenue neutrality charge and the transitional market expansion charge. The PJM West RTO Order required Allegheny to remove any PJM West start-up costs from the surcharges to be applied to existing PJM entities. Finally, Allegheny was required to recalculate its lost revenues and recovery mechanism to cover the transition period allowed, i.e., for the rate effective period ending December 31, 2004. [4]

The January 30 Order did not address the merits of any of these issues. Rather, these issues were set for hearing in their entirety. The Commission did not invoke section 206 of the FPA to set Allegheny's cost of service for hearing, as Allegheny now appears to be concerned. Accordingly, we will clarify, here, that the scope of the hearing

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<sup>4</sup>January 30 Order, 98 FERC at 61,092.

established by the January 30 Order is intended to address only rate compliance issues, as identified by the Commission in the PJM West RTO Order.

We will also grant Allegheny's request for clarification regarding the effective date of PJM West. While Allegheny itself requested a March 1, 2002 effective date for PJM West, we agree that this effective date is now impractical. Accordingly, we will permit PJM West to move its rates into effect at such time as it is practical to do so, subject to a filing, prior to that date, of all necessary tariff sheets, which reflect Allegheny's revised effective date.

The Commission orders:

Allegheny's request for clarifications are hereby granted, as discussed in the body of this order.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.