



# FEDERAL ENERGY REGULATORY COMMISSION

NEWS

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## **FERC Grants Partial Rate Incentive Requests for Transmission Projects**

The Federal Energy Regulatory Commission (FERC) today approved transmission incentive requests for two projects that will improve reliability of the nation's interstate transmission system: a 1,000-mile transmission line that will bring renewable energy from Canada to California and a project that will help relieve congestion in the Mid-Atlantic area.

FERC partially approved Pacific Gas and Electric Company's (PG&E) petition for a declaratory order for recovery of prudently incurred pre-commercial and abandonment costs related to a proposal that would deliver up to 3,000 megawatts of new renewable power from British Columbia, Canada, and the Pacific Northwest to California (EL08-24).

In a separate case, FERC granted certain transmission rate incentives for a proposed nearly \$1 billion transmission project in the Mid-Atlantic region (EL08-23). The PPL Electric Utilities Corporation and Public Service Electric and Gas Company project, designated the Susquehanna Line, will span 130 miles across northeastern Pennsylvania to northern New Jersey. The PJM Interconnection LLC, the regional transmission operator for the Mid-Atlantic region, called this project a "baseline project" in its 2007 Regional Transmission Expansion Plan.

"These two proposals are exceptional in size, financial commitment and potential benefits for consumers," FERC Chairman Joseph T. Kelliher said. "The actions we take today will help reduce congestion and ensure reliability in two regions of the country with rising electric power needs and limited transmission resources to efficiently deliver the power to customers."

Commissioner Marc Spitzer agreed. "These orders show we are prepared to exercise the authority Congress granted to FERC in the Energy Policy Act of 2005 to encourage greater investment in the power grid," he said. "Our policies are making a difference – major backbone transmission projects are being proposed and built throughout our nation."

FERC gave partial approval to PG&E's request based on its authority to grant incentives that promote particular policy objectives. In this case, the PG&E project is multi-regional and international, and its size, scope and complexity is such that many companies would be unwilling and unable to spend money to determine whether the project would ensure reliability or reduce congestion. "There is significant policy objective in encouraging companies to explore new ways of finding and delivering renewable resources," FERC said.

But given the early stage of the proposed \$3.2 billion project, it is not yet time to address PG&E's request for construction-work-in-progress (CWIP) and return on equity (ROE) incentives, so FERC deferred a decision on these issues. The Commission suggested PG&E resubmit its request for any additional appropriate infrastructure incentives under Order No. 679 once the utility completes studies that will determine if the





project meets FERC standards for infrastructure incentives.

In the Susquehanna Line order, FERC approved a 1.25 percent ROE adder, a reduction from the 1.50 percent that was requested; a one-half percent adder to each utility's base ROE for continued membership in PJM; a 100 percent recovery of prudently incurred expenses for CWIP to be included in rate base; abandonment incentives; and authority to transfer certain incentives to as-yet unidentified affiliates.

In approving most of what the companies had requested, FERC noted that the project sponsors "face significant risks and challenges in constructing the Susquehanna Line." By granting the incentives, investors will be encouraged "to invest in a transmission project with substantial financial risks..."

FERC Order No. 679 requires an applicant seeking transmission incentives to demonstrate that the facilities it proposes either ensure reliability or reduce the cost of delivered power by reducing transmission congestion. Order No. 679 implements section 1241 of the Energy Policy Act of 2005 (EPAct). EPAct added a new section 219 to the Federal Power Act directing FERC to establish incentive-based rate treatments for transmission investment.

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