



Federal Energy Regulatory Commission
FACT SHEET
January 17, 2008
Baltimore Gas & Electric
Docket No. ER07-576-003

The Federal Energy Regulatory Commission (FERC) today denied a rehearing request by Baltimore Gas & Electric Company (BG&E) for incentive rate treatment for 37 future transmission projects.

Background

BG&E last year asked for rate incentives for two baseline projects, six transmission-owner-initiated projects and 37 future transmission projects. With respect to the 37 future projects, BG&E had asked for approval of transmission rate incentives before the projects had been included in the PJM Regional Transmission Enhancement Plan (RTEP), and without bringing each project to the Commission for review. BG&E proposed to include the transmission incentives for the 37 future projects in its formula rate as part of its annual formula rate update as the project are included in the RTEP.

FERC rejected the proposal for the 37 future projects. The company failed to provide fact-specific information as to why each project qualified for an incentive on return on equity, did not demonstrate how the return on equity incentive for future projects address demonstrable risks or challenges and did not provide sufficient evidence on scope, benefits or risks to show that the future projects are not routine. FERC noted that BG&E could seek incentives for these transmission projects in a future application that makes these showings.

Today's Order

FERC refused to approve transmission rate incentives for the 37 future projects without careful scrutiny of each project for which the incentives are sought. FERC said it requires a case-specific showing that a nexus exists between the incentive being sought and the transmission project. FERC policy is that a company must demonstrate why each project merits incentives before such incentives can be approved. Because BG&E failed to make such a demonstration, FERC again rejected the proposed transmission rate incentives for the 37 future projects.

And though FERC gives considerable weight to regional planning reliability determinations, these determinations are not conclusive. FERC consistently reviews these determinations in the context of specific transmission projects. FERC has required modifications to incentives requested for several projects accepted through a regional planning process, requiring additional support for the total package of incentives being sought, discussion of the interrelationship between any incentives and explanation of how any incentives address the risks and challenges faced by the applicant in constructing the project.