



MEDIA ALERT PJM

FERC Denies Transmission Incentives for ComEd

December 4, 2008
EL08-78-000

The Federal Energy Regulatory Commission (FERC) today denied a petition by Commonwealth Edison Company (ComEd) and ComEd of Indiana for incentive rates for 22 transmission projects in the companies' service territories.

Background

The Energy Policy Act of 2005 directed FERC to create incentive-based rate treatments to promote capital investment in transmission infrastructure. FERC Order No. 679 sets forth the process by which a public utility may seek transmission rate incentives.

The companies sought an incentive rate of return (ROE) adder of 1.5 percent for each of the 22 projects and an additional ROE for of .5 percent for two static VAR compensators (SVCs) as a separate incentive for use of advanced transmission technology. SVCs are flexible alternating current (AC) transmission system devices that automatically respond to fluctuations in system voltage and help transmission operators manage systems in real time.

The 22 projects include SVCs, capacitor installations, transformer installations and installation of transmission line upgrades and circuit breakers. All projects were approved as baseline upgrades for the PJM Interconnection in 2006, 2007 and 2008, and would cost \$215 million.

The Order

FERC denied the requests, saying that the companies did not illustrate a nexus between the incentive sought and the investment being made.

Despite their status as PJM baseline projects, FERC said that the projects are activities undertaken in the ordinary course of business in keeping with good utility management practices. FERC found that ComEd did not present evidence regarding the scope or effect of the projects. ComEd's evidence focuses primarily on financing challenges, providing no evidence of technical or siting challenges, long lead times or regulatory or political risks facing the projects.

Further, FERC found that ComEd did not identify any unusual characteristics of its SVC projects that warrant incentive treatment for the use of advanced transmission technology.

MA08-53

FERC Media Contact: Mary O'Driscoll
202-502-8680
mediaDL@ferc.gov