

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

PJM Interconnection, L.L.C.

Docket Nos. ER05-1181-000
ER05-1181-001
ER05-1181-002
ER05-1181-003

ORDER APPROVING UNCONTESTED SETTLEMENT
AND DISMISSING MOTION

(Issued May 26, 2006)

1. On April 18, 2006, PJM Interconnection, L.L.C. (PJM) filed a Settlement Agreement and Offer of Settlement (collectively, Settlement Agreement), which included revisions to the PJM Open Access Transmission Tariff (PJM Tariff), to resolve all of the issues in the captioned proceedings. The Commission approves the settlement agreement as fair and reasonable and in the public interest. The Commission also directs PJM to file tariff sheets in accordance with Order No. 614, as described below.
2. On May 8, 2006, Commission Trial Staff filed comments in support of the Settlement Agreement. No other comments were received. On May 23, 2006, the settlement judge certified the Settlement Agreement to the Commission as uncontested.¹
3. The Settlement Agreement includes revisions to Schedules 9-1 through 9-5 of the PJM Tariff, to change the rate design of PJM's administrative cost recovery from formula rates to stated rates. The stated rate structure will be implemented in four steps over the next six years, beginning on June 1, 2006.² The Settlement Agreement also contains revised tariff sheets setting forth a transitional mechanism effective May 1, 2006, for a single month, to address over- and under-recoveries of costs in the final month of PJM's

¹ 115 FERC ¶ 63,041 (2006).

² The four step settlement stated rate structure is to be implemented as follows: (i) commencing June 1, 2006: 33 cents per MWh; (ii) commencing January 1, 2007: 32 cents per MWh; (iii) commencing January 1, 2008: 31 cents per MWh; and (iv) commencing January 1, 2011: 30 cents per MWh.

current formula rates.³ Additionally, the Settlement Agreement establishes a specific mechanism, as set forth in a new Schedule 9-6 to PJM's Tariff, for PJM to collect from its members the actual construction and operation costs for a second control center.⁴

4. The Settlement Agreement, including the amendments to the PJM Tariff, is in the public interest and is hereby approved and accepted for filing. The Commission's approval of the Settlement Agreement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding. The Commission retains the right to investigate the rates, terms and conditions under the just and reasonable and not unduly discriminatory or preferential standard of section 206 of the Federal Power Act, 16 U.S.C. § 824e (2000).

5. On April 18, 2006, PJM filed a motion requesting that, if the Commission does not act on the Settlement Agreement by June 1, 2006, the Commission accept the rates to be effective May 1, 2006, and June 1, 2006, subject to refund. The Commission is acting prior to June 1, 2006. Accordingly, the motion is moot.

6. While PJM has filed revised tariff sheets to implement the Settlement Agreement, its proposed designations do not comport with Designation of Electric Rate Schedule Sheets, Order No. 614, FERC Stats. & Regs., Regulations Preambles July 1996 – December 2000 ¶ 31,096 (2000). Therefore, PJM is directed to file tariff sheets, in conformance with Order No. 614, within 30 days of the date of this order.⁵

7. This order terminates Docket Nos. ER05-1181-000, ER05-1181-001, ER05-1181-002, and ER05-1181-003.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

³ See section II of the Settlement Agreement.

⁴ See section III of the Settlement Agreement.

⁵ Specifically, Third Revised Sheet No. 250 and First Revised Third Revised Sheet No. 250 are both designated as superseding Original Sheet No. 250. First Revised Third Revised Sheet No. 250 should supersede Third Revised Sheet No. 250. Fourth Revised Sheet No. 255 and First Revised Fourth Revised Sheet No. 255 are both designated as superseding First Revised Sheet No. 255. First Revised Fourth Revised Sheet No. 255 should supersede Fourth Revised Sheet No. 255. The designation of Third Revised Sheet No. 252 was previously used in ER05-1181-002. The correct designation is Substitute Third Revised Sheet No. 252 superseding First Revised Sheet No. 252.